Wacker Neuson
Group

Moving Innovation

Annual Report 2019

WACKER
NEUSON

FIGURES AT A GLANCE 2019

WACKER NEUSON GROUP AT DECEMBER 31

IN € MILLION	Jan. 1 – Dec. 31, 2019	Jan. 1 – Dec. 31, 2018	Change
Key figures			
Revenue[1]	1,901.1	1,710.0	11%
by region			
Europe	1,379.0	1,248.9	10%
Americas	459.5	401.3	15%
Asia-Pacific	62.6	59.8	5%
by business segment[2]			
Light equipment	485.3	455.7	6%
Compact equipment	1,052.8	920.9	14%
Services	382.5	351.6	9%
EBITDA	257.4	239.4	8%
Depreciation and amortization	104.3	77.1	35%
EBIT[1]	153.1	162.3	-6%
EBT[3]	137.5	203.0	-32%
Profit for the period[3]	88.5	144.6	-39%
Number of employees[4]	6,056	6,190	-2%
R&D ratio (incl. capitalized expenses) as a %	3.3	3.2	0.1PP
Share			
Earnings per share in €[3]	1.26	2.06	-39%
Dividends[5] per share in € (in brackets: special dividend)	0.60	0.60 (0.50)	0%
Key profit figures			
Gross profit margin as a %	25.0	26.8	-1.8PP
EBITDA margin as a %	13.5	14.0	-0.5PP
EBIT margin as a %	8.1	9.5	-1.4PP
Cash flow			
Cash flow from operating activities	-20.9	-15.5	35%
Cash flow from investment activities[6]	-94.8	15.2	–
Investments (property, plant and equipment, intangible assets)	-89.2	-73.3	22%
Free cash flow[6]	-115.7	-0.3	38467%
Cash flow from financing activities	117.9	17.3	582%
	Dec. 31, 2019	**Dec. 31, 2018**	**Change**
Key figures from the balance sheet			
Equity	1,225.0	1,221.4	0%
Equity ratio as a %	55.8	63.8	-8.0PP
Net financial debt	439.0	204.7	114%
Gearing as a %	35.8	16.8	19.0PP
Net working capital	811.7	643.9	26%
Net working capital as a % of revenue	42.7	37.7	5.0PP
ROCE II as a %	5.6	8.1	-2.5PP

[1] In 2019, there has been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line.

[2] Consolidated revenue before cash discounts.

[3] Includes an extraordinary profit from the sale of a real-estate company belonging to the Group in 2018 (EUR 54.8 million before tax, EUR 45.8 million after tax).

[4] Including temporary workers.

[5] At the AGM on May 27, 2020, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2019. An additional special dividend in the amount of EUR 0.50 per share was paid out for fiscal 2018 in connection with the positive one-off effect from the sale of a Group real-estate company.

[6] Includes cash inflow of EUR 60.0 million from the sale of a real-estate company belonging to the Group in 2018.

All consolidated figures prepared according to IFRS. To improve readability, the figures in this report have been rounded to the nearest EUR million. Percentage changes refer to these rounded amounts.

WACKER
NEUSON

»Moving innovation captures what it is that inspires us and how we see ourselves. Whether on construction sites or on farms, we – as a mover and shaker – want to offer real added value to our customers. We also want to stay one step ahead in the industry with the solutions we offer. This is why – for over 170 years – we have been actively developing ideas and shaping the future of compact and light equipment and the role of digital services and alternative drive systems moving forward. All along, we have pointed the way forward to deliver answers for tomorrow's challenges.«

Martin Lehner, CEO of the Wacker Neuson Group

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To our Shareholders

Dear shareholders, employees, business partners, customers and friends of the company,

Fiscal 2019 marked many positive achievements for the Wacker Neuson Group, but not all developments unfolded according to plan. We were delighted to report a new record high in revenue, for example, whereas profit remained significantly below our expectations.

Demand for our products and services remained strong in 2019. At Bauma, the world's leading construction trade show held in Munich in April, numerous new products, a broad portfolio of electric machines and our digital service offering captivated customers, business partners and other stakeholders from around the world. The resoundingly positive feedback we received confirms that we are in tune with the needs of our customers and that our services resonate strongly with the market. Once again, in 2019, our product innovations enabled us to gain shares in many markets – even in challenging countries such as England, where our new Dual View dumper enjoyed strong traction. To meet evolving customer demand for digital services, we launched and expanded a number of digital solutions in 2019, including our "WeCare" service as well as our proactive, telematics-based fleet management service "EquipCare". Our ability to complement traditional products with innovative business models is driving our transition from equipment manufacturer to future-fit, all-round service provider.

Revenue developed positively in 2019, fueled by high levels of product acceptance across our markets. The Group reported gains in all regions and business segments, with revenue rising 11 percent to reach a new record high of EUR 1,901.1 million. The agricultural equipment business with our two Group brands Weidemann and Kramer again grew above par.

In contrast, profit developed below expectations. Despite the increase in revenue, profit was down on the previous year. The EBIT margin amounted to 8.1 percent, which is a drop of 1.4 percentage points. This was attributable to a number of factors including restructuring costs in North America, cutbacks to the production program in the second half of the year and the selling off of new equipment related to the inventory streamlining plans.

"The long-term trend towards compact equipment in construction and agriculture remains constant."

In light of the squeeze on profitability, we have introduced a program to reduce costs and improve efficiency. We expect the planned initiatives to yield potential savings of around EUR 50 million relative to fiscal 2019, which should be achieved gradually over 2020 and 2021. At the same time, we have also taken steps to significantly reduce inventory levels by the end of 2020. These high levels, combined with the increase in receivables, were primarily responsible for the further rise in net working capital in 2019. In addition to this, we aim to intensify our collaboration with external financing partners, in particular in connection with our expansion into North America, in order to reduce days sales outstanding in the long term. At the close of the year, net working capital accounted for 42.7 percent of revenue (2018: 37.7 percent).

As usual, we wish to offer our shareholders an attractive dividend for the 2019 fiscal year. Accordingly, in alignment with the Supervisory Board, we will jointly propose a dividend of EUR 0.60 per share at the annual general meeting in May. This corresponds to a distribution ratio of around 48 percent of Group profit for the period.

The global economy remains exposed to numerous risks despite positive impetus from developments such as the US and China agreeing on the first phase of a deal to end the trade conflict and fewer uncertainties regarding the impact of Brexit. In addition to this, the coronavirus has already weakened the global economy in the first few months of the year. At the moment, it is difficult to assess what impact this will have on our business. At the same time, however, the long-term trend towards compact equipment in construction and agriculture remains constant and global megatrends such as urbanization are set to provide lasting momentum for the Wacker Neuson Group's business model.

Order intake at the start of 2020 was below the strong baseline from the previous year. In light of the cautious forecasts issued by industry associations and taking into consideration the potential effects of the coronavirus on our supply chains and demand patterns, we predict that revenue for fiscal 2020 will either decrease or stagnate between EUR 1,700 and EUR 1,900 million. We expect the EBIT margin to lie between 6.5 and 8.5 percent.

We remain committed to the growth and profit targets set out in our Strategy 2022. In the medium term, we plan to increase revenue to over EUR 2 billion. We are aiming for an EBIT margin in excess of 11 percent and a maximum net working capital of 30 percent of revenue.

Let us continue on this journey together! We would like to thank all of our dedicated employees, reliable business partners and loyal shareholders, and look forward to your continued trust and support.

The Executive Board team of Wacker Neuson SE

from left:

Wilfried Trepels
CFO

Responsible for finance, controlling, audit, supply chain, IT & organization and real-estate.

Martin Lehner
CEO

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

Alexander Greschner
CSO

Responsible for sales, service and marketing.

Our Share in 2019

2019 was a largely positive year for the stock markets in Germany and around the world. While the Wacker Neuson share outperformed the DAX and SDAX markets as well as selected peer group companies in the first half of 2019, this trend flipped over the six months that followed. The share finished the year with a gain of around 3 percent.

Share and index information

Shares in Wacker Neuson SE have been traded in the regulated Prime Standard segment of the Frankfurt Stock Exchange since 2007 and are listed in the SDAX index. In addition, Wacker Neuson has been included in the "DAXplus Family" index since 2010. This index currently comprises 113 German and international companies from the Frankfurt Stock Exchange's Prime Standard segment. For a company to be included in the DAXplus Family Index, the founding family must hold at least 25 percent of the voting rights, or sit on the Executive or Supervisory Board and additionally hold at least 5 percent of the voting rights. The weighting in this index is based on market capitalization of the free float.

Stock market trends in 2019

After a few setbacks at the end of 2018, stock markets rallied at the start of 2019. The prospect of a compromise in the trade dispute between the US and China and the significant change in the US Federal Reserve's stance regarding further interest rate rises gave a boost to share prices at the start of 2019. The failure to resolve the trade conflict, the turn-down in sentiment and leading indicators, renewed fears of a recession and the ongoing Brexit debate all caused months of volatile sideways movement which lasted until mid-October. Buoyed by the central banks, the stock markets gained momentum again in the fourth quarter of 2019 and rallied as the year drew to a close. From mid-December, the UK market also contributed to the recovery. The deal negotiated between the EU and the British Prime Minister greatly eased the fears of a no-deal Brexit and the economic challenges that would bring.

The DAX increased by around 25 percent during the year – the largest annual gain since 2013. The SDAX rose by 32 percent. Most of the international stock markets also recorded gains in 2019. In the US, the Dow Jones and the S&P500 increased significantly by 22 percent and 29 percent, respectively.

As a result of the political situation in the UK, the FTSE 100 index tended towards below-par growth at 12 percent. The MSCI Emerging Markets Index rose by 18 percent in 2019, thus recovering from a loss of 16 percent in the previous year.

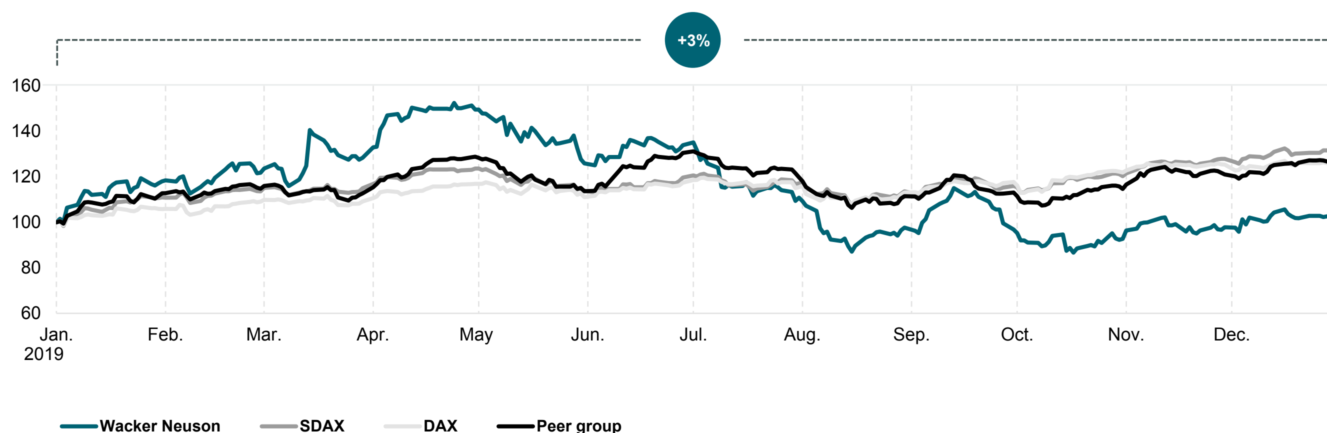
The Wacker Neuson share

Following a downward trend in 2018, the Wacker Neuson share rallied initially at the start of 2019. The publication of the 2018 results boosted the share further until it reached its high for the year of EUR 25.18 on April 24. The share came under additional pressure in the following weeks despite the announcement of positive first-quarter figures. After the company reported a drop in profitability and a negative cash flow trend in the second quarter results, the share hit its first interim low of EUR 14.39. A brief period of recovery was followed by another slide, which saw the share reach its low for the year of EUR 14.32 shortly after the adjustment of the annual forecast in mid-October. On the last trading day of the year, the share recovered somewhat to finish at EUR 17.05. Over the year as a whole, the share gained around three percent in value.

In fiscal 2019, the shareholders of Wacker Neuson SE received a dividend of EUR 0.60 per share. The company also paid out a special dividend of EUR 0.50 per share. This allowed investors to share in the success of the Group's operational business in 2018 and in the one-off income from the sale of a real-estate company held by the Group.

SHARE PRICE TRENDS JAN. 1, 2019 – DEC. 31, 2019

AS A %

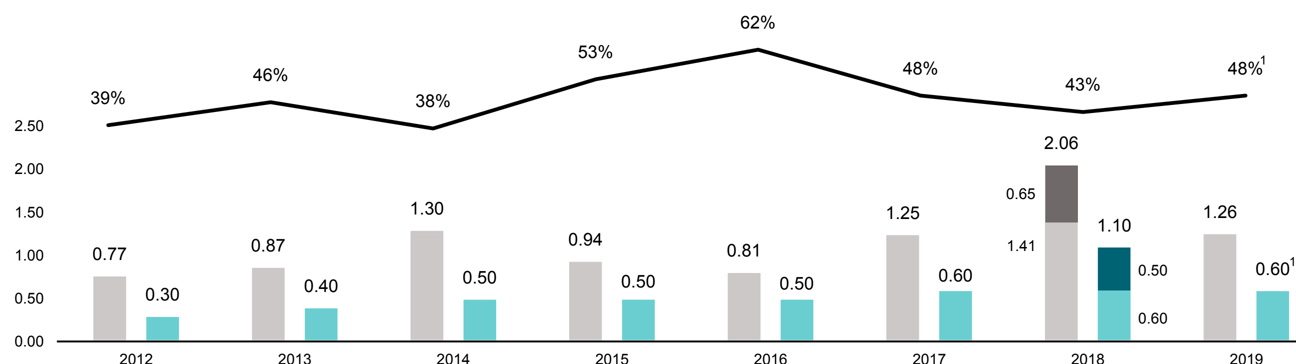


Wacker Neuson SDAX DAX Peer group

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

EARNINGS PER SHARE, DIVIDEND AND PAYOUT RATIO 2012 – 2019

IN €



[1] At the AGM on May 27, 2020, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2019.

Earnings per share in € (2018 adjusted to discount the sale of a real-estate company)
2018: Earnings per share in € from the sale of a real-estate company
Dividend payment in € (paid out for the respective year)
2018: Additional special dividend
Payout ratio (2018: Not including the special dividend, based on Group profit for the period adjusted to discount the sale of a real-estate company)

KEY INDICATORS FOR THE WACKER NEUSON SHARE

IN €

	2019	2018
High	25.18	33.60
Low	14.32	16.41
Average	19.12	24.19
Year-end	17.05	16.52
Average daily trading volume in shares[1]	146,030	63,583
Earnings per share[2]	1.26	2.06
Book value per share[2]	17.47	17.41
Dividend payment proposed (special dividend)[2,3]	0.60	0,60 (0,50)
Payout ratio as a %[4]	47.6	42.6
Market capitalization at year-end in € million	1,195.9	1,158.7

[1] Day trading: on XETRA.
[2] 70,140,000 shares.
[3] At the AGM on May 27, 2020, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2019. For fiscal 2018, an additional special dividend in the amount of EUR 0.50 per share in connection with the positive one-off effect from the sale of a Group real-estate company was paid out.
[4] Without special dividend, in relation to the adjusted net profit (adjusted for the positive one-off effect from the sale of a Group real-estate company).

SHARE FACTS AT A GLANCE

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

Performance of construction and construction supplier shares

The chart above shows how the Wacker Neuson share performed in relation to its peer group. The peer index includes French companies Manitou, which manufactures construction and agricultural equipment, and lifting equipment specialist Haulotte; the Austrian crane and hydraulic lifting systems manufacturer Palfinger; the American construction equipment manufacturers Caterpillar, John Deere and Terex; the American rental company United Rentals; the European rental companies Ashtead, Ramirent and Cramo; the Swedish industrial companies Atlas Copco, Husqvarna and Volvo; the Korean construction equipment manufacturer DoosanBobcat; the Japanese construction equipment manufacturer Komatsu; and German companies Bauer, specialist in underground construction, and Deutz for engines targeted at construction equipment and other industries. Following the acquisition of Ramirent by Loxam and the subsequent delisting, Ramirent was removed from the peer group on December 24, 2019.

While the Wacker Neuson share outperformed the peer group in the first half of 2019, it lost significant ground in the second half of the year. The peer group managed a gain of approximately 26 percent for the period while the Wacker Neuson share increased by around three percent.

General meeting and dividends

The Annual General Meeting of Wacker Neuson SE took place on May 29, 2019 in Munich.

Based on a share capital of 70,140,000 shares, 90.3 percent of voting rights were represented. Shareholders approved a proposal by the Executive Board and Supervisory Board to pay out a dividend of EUR 0.60 per share for fiscal 2018 (previous year: EUR 0.60 per share) as well as a special dividend of EUR 0.50 per share. This allowed shareholders to share in the success of the Group's operational business in 2018 and in the one-off income from the sale of a real-estate company held by the Group. The dividend payout thus amounted to EUR 77.2 million (previous year: EUR 42.1 million).

Executive and Supervisory Board members' actions were approved for fiscal 2018. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft in Stuttgart was again appointed as the official auditor to review the Annual Financial Statements.

At the AGM on May 27, 2020, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2019. This corresponds to a payout ratio of 47.6 percent (2018: 42.6 percent[1]).

[1] Without special dividend, in relation to the adjusted net profit (adjusted for the positive one-off effect from the sale of a Group real-estate company).

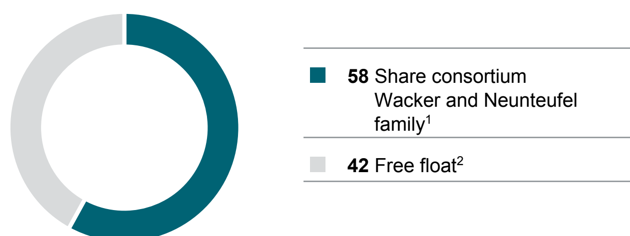
Ownership structure

As of the closing date, December 31, 2019, 58 percent of the share capital was held by a consortium made up of the Wacker and Neunteufel families. In the previous year, the consortium held a share of approximately 63 percent (see information regarding the consortium and pool agreement). → Page 65 ff.

On July 4, 2019, Wacker Neuson SE was informed that individual members of the share pool made up of the Wacker and Neunteufel families had successfully placed around 3.8 million shares with institutional investors. This was prompted by an asset diversification strategy and proactive inheritance plans executed by the family members in question. At the same time, Wacker and Neunteufel family shareholders remain committed to the company in the long term and intend to continue to hold the majority shareholding in the company through the existing family pool. As a result of the sale, the portion of Wacker Neuson shares held in free float has increased to approximately 42 percent.

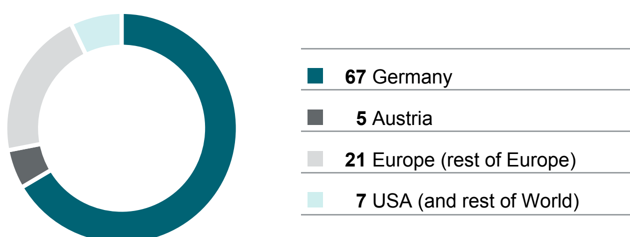
The free-float shares are held by institutional and private investors. To the best of the Group's knowledge, the majority of its free float (approximately 67 percent) is held by German investors. The higher percentage of shares held in free float resulted in an increase in the average daily trading volume.

SHAREHOLDER STRUCTURE
AS A %



As of December 31, 2019.
Differences attributable to rounding. Share capital/number of shares: 70.14 million.
[1] See information on consortium and pool agreement (→ page 65 ff.).
[2] Including shares held by the Wacker and Neunteufel families independently of the consortium.

REGIONAL DISTRIBUTION OF FREE FLOAT
AS A %



As of December 31, 2019.
Differences attributable to rounding. Share capital/number of shares: 70.14 million.

ANALYST RECOMMENDATIONS

NAME OF BANK

	Target price	Buy	Hold	Sell	Date
Metzler	€27.00	■			Aug. 6, 2019
Warburg	€23.00	■			Jan. 22, 2020
Jefferies	€23.00	■			Jan. 28, 2020
Hauck & Aufhäuser	€22.50	■			Nov. 12, 2019
Bankhaus Lampe	€17.00	■			Jan. 23, 2020
Commerzbank	€15.00		■		Jan. 22, 2020
Kepler Cheuvreux	€12.00			■	Jan. 30, 2020

As of January 31, 2020

Strong relationships – proactive communication

Maintaining good relationships and regular contact with private shareholders, institutional investors, analysts and other stakeholders is essential to give market players the information they need to realistically assess and evaluate the Wacker Neuson share and its development. To ensure this, the Executive Board and the Investor Relations team again actively briefed capital market players at the AGM and, above all, at various investor conferences and roadshows in Germany and abroad during 2019. Communications focused on giving analysts and investors detailed insights into the Wacker Neuson Group's markets, business, strategic aims and developments in these areas.

In April 2019, the Group invited analysts and investors to a Capital Market Day at the leading international construction equipment trade show bauma in Munich. The Group's electrification and digitalization strategy was the main focus at the event. The participants were able to see the latest generation of all-electric construction equipment and gain a preview of innovative digital service solutions. Afterwards, the attendees had an opportunity to engage with all three Board members as well as with the Investor Relations team.

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

For fiscal 2019, the Wacker Neuson Group issued a non-financial Group report in line with Section 315b of the German Commercial Code (HGB), and was published at the same time as the Annual Report. As a separate non-financial Group report, it details topics such as environmental, social, employment, and human rights, as well as anti-corruption and bribery.

Analyst coverage

In 2019, seven analysts evaluated the Wacker Neuson share. At the end of January 2020, Jefferies also began its coverage. MainFirst ended its coverage at the end of 2019.

Report by the Supervisory Board

Dear Shareholders,

The Wacker Neuson Group remained on its growth path in 2019. Revenue rose 11 percent relative to the prior-year period to reach another new record high of around EUR 1.9 billion. All three regions under review reported growth, which shows that the Group's products meet the varying needs of its customers in different regions. In contrast, however, the Group was unable to meet its targets for profit and net working capital. In response to this, the Executive Board approved a program for reducing costs and improving efficiency in January 2020 to ensure it achieves its Strategy 2022 goals.

The management and all employees of the Wacker Neuson Group showed great personal dedication, passion and commitment in 2019, making a valuable contribution to the company's continued development. The Supervisory Board would like to thank all employees and the Executive Board.

Hans Neunteufel
Chairman of the Supervisory Board

Cooperation between the Supervisory Board and Executive Board

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

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

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

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

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

Main topics of Supervisory Board meetings in fiscal 2019

Seven plenary meetings of the Supervisory Board were held in fiscal 2019. One of these sessions was conducted by telephone. The Presiding Committee met twice and the Audit Committee met on four occasions. In two cases, the Supervisory Board voted by means of a written resolution. The Audit Committee did this in one instance.

The Supervisory Board engaged regularly with the day-to-day business of the Wacker Neuson Group and with planning activities at executive level. Discussions focused in particular on global economic developments and their impact on the business performance and organizational structures of the company and of the Group. Particular emphasis was placed on the analysis and discussion of Wacker Neuson's financial situation as well as the development of revenue, costs and earnings. During the relevant meetings, any questions from the Supervisory Board that arose in connection with the regular written and verbal reports were answered in full by the Executive Board. Executive Board matters were also on the agenda on a regular basis.

In addition to these regular reports, the Supervisory Board concentrated its advice and supervisory activities on the following areas in particular during its meetings and resolutions:

In an extraordinary (telephone) meeting on February 7, 2019, the Supervisory Board discussed plans for the Group to acquire a minority share in a sales partner and passed a resolution regarding this.

At the Supervisory Board meeting to approve the financial statements on March 12, 2019, following appropriate preparations by the Audit Committee, the Supervisory Board focused on examining the Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report of Wacker Neuson SE and of the Wacker Neuson Group, the non-financial Group report, as well as related party disclosures for fiscal 2018. In its session immediately before the Supervisory Board meeting, the Audit Committee discussed these documents in detail with the Executive Board, raising numerous questions with the auditing company representative present at the meeting, and discussing these issues at length. This took place in addition to the Supervisory Board's regular examinations as part of its own preparation for the meeting to approve the financial statements. On the basis of this, the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report were approved. The appropriation of net profit suggested by the Executive Board was also approved in this meeting together with the AGM agenda, the Supervisory Board report and the non-financial Group report. The Supervisory Board additionally approved the placement of a further promissory note (Schuldschein). In addition, this meeting covered the realignment of spare parts logistics, the purchase of a tract of land in Serbia and an assessment of the findings from the Supervisory Board efficiency audit.

On May 2, 2019, the Supervisory Board discussed the forthcoming quarterly report at length. In addition, the Supervisory Board discussed alignment of the logistics organization for new equipment in Germany. Compliance issues and an ongoing legal dispute were also on the agenda.

The meeting held on August 2, 2019 focused on the forthcoming publication of the half-year report for 2019 as well as the resolution for availing of certain balance sheet exemptions for various affiliates and the company's potential obligation to carry the associated loss. The meeting also focused again on the relocation of the logistics organization for new equipment in Germany. In addition to this, measures to reduce inventory and also potential M&A projects were discussed. Further items on the agenda included the possible construction of a new production plant in Serbia and current HR matters.

On October 15, 2019, the Supervisory Board met for its annual strategy meeting, which was held in this instance at the new production plant in China. The Supervisory Board discussed company strategy with the Executive Board and was informed about business developments, in particular in China.

The meeting held on November 5, 2019 focused on the overall business situation and, in particular, the forthcoming publication of the quarterly report. Further items on the agenda included financing of the business in North America and resolutions regarding the closure of smaller sales affiliates outside of Germany.

During its meeting on December 12, 2019, the Supervisory Board focused on examining the Executive Board's business plan proposed for fiscal 2020, as well as on medium-term and financial planning. Supervisory Board members not only assessed the plans, but also discussed the associated opportunities and risks in detail with the Executive Board, particularly against the backdrop of the unpredictable global economic climate. Submission of the updated declaration of compliance with the German Corporate Governance Code was also on the agenda. In addition to this, the Supervisory Board looked at the business situation in North America, focusing in particular on financing alternatives for sales in the region. The meeting also covered the Group's financing concept and completion of efforts to wind up the former production facility in the Philippines. Furthermore, Executive Board matters were on the agenda.

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

Work performed by the Supervisory Board committees in fiscal 2019

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

At a meeting on March 11, 2019, the Supervisory Board Audit Committee prepared the Supervisory Board's resolution on the adoption of the Annual Financial Statements and the Consolidated Financial Statements for the year ending December 31, 2018. The committee also discussed the appropriation of net profit suggested by the Executive Board, related party disclosures and the non-financial Group report. In addition, the committee discussed the independence and appointment of an auditor, and submitted a recommendation in that regard to the Supervisory Board during its plenary meeting. The Supervisory Board, in turn, followed this recommendation and proposed the same auditor at the AGM. The provision of certain non-audit services by the auditor was also discussed. The internal audit reports and the risk report were also on the agenda.

At its meetings held on May 2, August 2 and November 5, the Audit Committee primarily dealt with publication of the pending quarterly reports. It additionally focused on the work performed by the internal audit department. Furthermore, the committee looked at various matters relating to finance, controlling and risk management. In the meetings on May 2 and August 2, the Supervisory Board also discussed the selection and appointment of an auditor for fiscal 2020. The meeting on August 2 also focused on the appointment of an external auditor for the non-financial Group report. The meeting on November 5 also covered the mandatory EMIR audit in line with Section 32 WpHG ("Wertpapierhandelsgesetz"; German Securities Trading Act).

In two meetings held on October 23 and December 4, 2019, the Presiding Committee focused on various Executive Board matters and prepared corresponding resolutions for the Supervisory Board.

Changes in the composition of executive bodies

There were no changes to the composition of the executive bodies of the company in 2019.

Risk assessment and compliance

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

Corporate governance

Both the Supervisory Board and the Executive Board are aware that sound corporate governance is essential to protect shareholder interests and secure the company's long-term success. The Supervisory Board continuously monitored the further development of the German Corporate Governance Code and kept up to date with the capital market and corporate legislative framework. The Executive Board and the Supervisory Board issued an updated declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG on December 12, 2019 for the period under review. The entire declaration is permanently available on the company's website and is also included in the declaration on corporate governance pursuant to Section 289f HGB in combination with Section 315d HGB, which can be found online and in the Annual Report.

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

Annual and Consolidated Financial Statements for 2019

At the AGM on May 29, 2019, the company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("Ernst & Young") of Stuttgart, Germany, was appointed official auditor for the company and Group for fiscal 2019. Before the Supervisory Board made its proposal to the AGM, based in turn on the recommendation by the Audit Committee, the auditing company submitted written confirmation to the Chairman of the Audit Committee that there are no circumstances that could compromise its independence as an auditor or give rise to doubts about its independence. Ernst & Young also specified the scope of services other than the audit of annual financial statements performed on behalf of the company over the previous fiscal year. The Chairman of the Audit Committee engaged the company in writing with the task of auditing the financial accounting procedures.

The Annual Financial Statements for the company for the year ending December 31, 2019 prepared by the Executive Board in accordance with HGB, and the Consolidated Financial Statements for the company for the year ending December 31, 2019 prepared by the Executive Board in line with the International Financial Reporting Standards (IFRS) as adopted by the EU, and in supplementary compliance with the disclosures required under Section 315a HGB, were audited by Ernst & Young along with the books. The audit did not give rise to any reservations, so an unqualified audit opinion was issued for both the Annual Financial Statements and the Consolidated Financial Statements.

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

The final examination by the Supervisory Board did not lead to any reservations. On March 9, 2020, the Supervisory Board therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the company and the Group as prepared by the Executive Board for the year ending December 31, 2019. The 2019 Annual Financial Statements have thus been duly approved. The Supervisory Board further examined the Executive Board's suggested appropriation of profit for fiscal 2019, in particular with regard to the dividend payment policy, impact on Group liquidity and shareholder interests. It did not raise any objections and, in line with the Audit Committee's recommendation, thus gives its unqualified consent to the proposal.

The Supervisory Board also examined the non-financial Group report for 2019 in line with Section 315b HGB. Ernst & Young had been previously tasked with auditing the non-financial Group report to obtain limited assurance in line with the International Standard on Assurance Engagements (ISAE) 3000, and correspondingly prepared and submitted its report to the Supervisory Board. The Supervisory Board received the result of the limited assurance engagement undertaken by Ernst & Young and, following its own in-depth examination, concluded that the Group's non-financial report fulfills the appropriate requirements and there are no grounds for objection.

Examination of the Executive Board report on related party disclosures

The Executive Board prepared a report on related party disclosures for fiscal 2019. The Executive Board states in particular that – to the best of its knowledge and based on the information known to it at the time the transactions were entered into – appropriate compensation was received by Wacker Neuson SE in respect of all transactions outlined in the related party disclosures report. As the official auditor, Ernst & Young examined the related party disclosures report and issued the following auditor's opinion:

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

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

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

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

On behalf of the entire Supervisory Board, I would like to thank all employees for shaping the development and success of our Group through their daily dedication.

Munich, March 10, 2020

On behalf of the Supervisory Board

Hans Neunteufel
Chairman of the Supervisory Board

Corporate Governance Declaration and Report

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

Declaration on corporate governance

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

1. Declaration of compliance pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of Wacker Neuson SE consider the German Corporate Governance Code as an important body of regulations. Both executive bodies feel compelled to comply with its principles of responsible, professional and transparent corporate governance. They have therefore thoroughly examined the recommendations of the German Corporate Governance Code and issued the following declaration of compliance as most recently amended on December 12, 2019.

Declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG)
The German Corporate Governance Code contains recommendations and proposals for managing and monitoring German listed companies in relation to shareholders and the Annual General Meeting (AGM), the Executive Board and the Supervisory Board, transparency, accounting and auditing. The German Stock Corporation Act requires the Executive Board and the Supervisory Board of listed companies to disclose each year the recommendations of the German Corporate Governance Code which the company has not followed or is not following, and to explain the reasons for non-compliance ("comply or explain").

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

In accordance with Section 161 AktG, the Executive Board and the Supervisory Board of Wacker Neuson SE hereby declare that since the submission of the most recent declaration of compliance of December 13, 2018, the company has complied with the recommendations issued by the German Corporate Governance Code Commission published by the German Federal Ministry of Justice (BMJ) in the official section of the Federal Gazette as amended on February 7, 2017 and continues to comply with the recommendations of the Code as amended on February 7, 2017, with the exceptions listed and explained in more detail below:

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

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

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

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

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

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

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

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

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

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

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

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

8. Section 5.4.1 (5) sent. 2: The Supervisory Board is of the view that the information made available to the Annual General Meeting and published on the company's website as standard practice to date is sufficient – even if it does not comply with the recommendation under the Code, and thus continues to refrain from complying with the Code's recommendation to draft, publish and update detailed resumes for proposed and current members of the Supervisory Board.

9. Section 5.4.2, 5.4.1 (4) sent. 3, and section 5.3.2: The following situation is noted, which is also described in the Group Management Report: A pool agreement is in place between some of the shareholders of the Wacker and Neunteufel families. The parties to this pool agreement collectively hold about 58 percent of the shares of Wacker Neuson SE and can thus jointly (but not individually, i.e. individual members of the pool agreement acting in isolation) control the company. In accordance with the provisions of the pool agreement, each party to the pool agreement must exercise its right to vote and submit proposals at the Annual General Meeting such that two Supervisory Board members nominated as shareholders' representatives by the Wacker family and two by the Neunteufel family are always elected.

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

   Given the independence of all shareholder representatives on the Supervisory Board and the detailed disclosures relating to their election made herein, the Supervisory Board shall refrain from providing explicit information about what it

considers to be an appropriate number of members and their names again in the Corporate Governance report.

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

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

Munich, December 12, 2019

Wacker Neuson SE

Executive Board and Supervisory Board

Martin Lehner Hans Neunteufel

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

2. Corporate governance report

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

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

Executive Board

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

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

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

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

Mr. Martin Lehner is CEO of Wacker Neuson SE, the parent company of the Group, and a Deputy CEO has not been appointed. Further details on individual members of the Executive Board, in particular their areas of responsibility within the Executive Board, are disclosed in the Notes to the Consolidated Financial Statements in item 34 “Executive bodies” (Wacker Neuson Group Annual Report 2019).

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

Supervisory Board

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

The terms of office of all Supervisory Board members run until the close of the AGM that tables a resolution to formally approve the actions taken by the company in fiscal 2019. Their terms may be no longer than six years. Further details on individual members of the Supervisory Board are disclosed in the Notes to the Consolidated Financial Statements in item 34 “Executive bodies” (Wacker Neuson Group Annual Report 2019).

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

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

Composition and role of committees

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

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

The Audit Committee maintains close contact with the auditors. It appoints the auditors to review the Annual and Consolidated Financial Statements, identifies the focal points of the audit and receives the reports. Furthermore, the Audit Committee negotiates the fee with the auditor, assesses their independence and additional services provided

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

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

Further details on the activities of the Supervisory Board and its committees can be found in the current Supervisory Board report. → Page 8

Shareholders and the AGM

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

The AGM this year will take place on May 27, 2020 in Munich. The Executive Board makes it easier for shareholders to exercise their voting rights at the AGM by offering the opportunity to issue binding voting instructions to proxies named by the company. Shareholders can also do this during the AGM. Information on how to vote by proxy will additionally be included in the invitation to the AGM meeting. These named proxies are also available at the AGM to shareholders present at the AGM. Furthermore, it is possible to delegate voting rights to financial institutions, shareholder associations and other third parties.

Accounting and auditing

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

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

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

Risk management

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

Specific details on risk management within the Wacker Neuson Group are disclosed in the risk report in the Combined Management Report. → Page 58 This also includes a report on the control system and risk management system in relation to the accounting process.

Transparency

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

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

Director's dealings and significant voting interests

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

Remuneration report in the corporate governance report

We report on the remuneration system applicable to the Executive Board in our Combined Management Report under the “Remuneration framework” item. → Page 68 The AGM approved a resolution to refrain at present from publishing remuneration details for individual Executive Board members in the interest of their privacy.

The overall remuneration of the Executive Board and the Supervisory Board is disclosed in the above-mentioned section and in the Notes to the Consolidated Financial Statements in item 35 “Related party disclosures” (Wacker Neuson Group Annual Report 2019).

Diversity – Declaration regarding fixed targets for the proportion of women at management level

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

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

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

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

The Executive Board has defined the following targets for the proportion of women appointed to managerial positions at Wacker Neuson SE, which it intends to achieve by December 31, 2021. These targets refer to staff who are directly employed by the company Wacker Neuson SE. The target percentage for line one below the Executive Board is 27 percent (currently 12 percent) and the target for line two below the Executive Board is 20 percent (currently 29 percent).

3. Corporate governance best practices

Compliance – principles of sound business and financial governance

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

Values such as integrity, openness, honesty and respect for other people and our surroundings inspire every one of us to succeed, excel and embrace sustainable business practices. More information can be found online at the following link: www.wackerneusongroup.com/en/ under The Group/Sustainability.

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

Our principles are equally important to us. They help us establish long-term business relationships built on a foundation of mutual trust at every step of the value chain. Our commitment here is set down in our code of conduct for suppliers, which can be found at www.wackerneusongroup.com/en/ under The Group/Compliance.

Corporate Social Responsibility (CSR)

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

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

For 2019, we have issued a separate non-financial Group statement, which will be published at the same time as this report and is available on the company website (in line with Section 315b HGB; CSR Directive Implementation Act).

Munich, March 9, 2020

Wacker Neuson SE

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

Combined Management Report

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The following graphics are provided for information purposes only. Market statistics and page references have not been audited and are therefore not part of the Combined Management Report. Adjectives are used for comparative purposes within the text, which can be defined as follows: “light”, “slight”, “moderate” correspond to a change of less than or equal to 5 percent; “considerable”, “strong” correspond to changes higher than 5 percent. “Medium term” describes a period of time up until 5 years, “long term” describes a period of time beyond 5 years. Accounting methods, key indicators and financial terms are defined in the glossaries at the end of this annual report. Due to differences attributable to rounding, some of the individual values indicated may not add up precisely to the given total. Similarly, due to the summation of percentages, they may not add up precisely to 100.0%. This may result in slight discrepancies relative to the values provided in the Notes to the Consolidated Financial Statements.

Combined Management Report of Wacker Neuson SE and its Group for Fiscal 2019

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

The Annual Financial Statements of Wacker Neuson SE (which is structured as a holding company) have been prepared in accordance with the provisions of the HGB and the German Stock Corporation Act (AktG). The Management Report of Wacker Neuson SE is included in this Group Management Report in line with Section 315 (5) HGB; further details are disclosed in the Section "Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB)". → Page 41 **The risks and opportunities facing Wacker Neuson SE cannot be differentiated from those facing the Group.**

The Wacker Neuson Group

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

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

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

BUSINESS SEGMENTS

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

Brands

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

GROUP BRANDS

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

Agriculture, tree nurseries, horse breeders, municipal bodies, etc.

Industries

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

TARGET INDUSTRIES

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

Organizational and legal structure

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

The Consolidated Financial Statements of Wacker Neuson SE are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. 55 companies, including the holding company, are fully consolidated in these statements.

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

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

Refer to "General information on accounting standards" in the Notes for detailed information on the legal structure. → Page 83

PERFORMANCE INDICATORS (5-YEAR-PERIOD)

AS A %

	2019	2018	2017	2016	2015
Revenue in € million	1,901.1	1,710.0	1,533.9	1,361.4	1,375.3
EBIT margin	8.1	9.5	8.6	6.5	7.4
Net working capital at Dec. 31 as a % of revenue	42.7	37.7	34.9	41.8	41.8
ROCE II[1]	5.6	8.1	7.0	4.6	5.3
Equity ratio	55.8	63.8	68.7	69.1	68.9
Net financial debt in € million	439.0	204.7	149.7	205.8	199.1
Gearing	35.8	16.8	13.4	18.8	18.6
Free cash flow in € million	-115.7	-0.3	99.0	35.4	23.7

[1] ROCE II = NOPLAT as a % of capital emloyed at Dec. 31, → page 37. For further definitions, see Financial Glossary, → page 144.

Corporate governance and value management

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

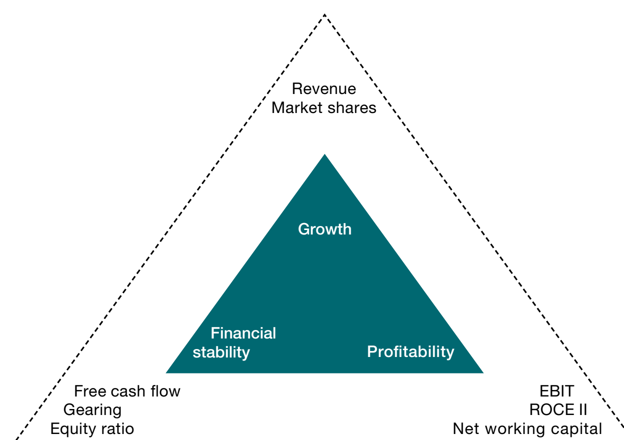
Important decisions on projects initiated by the company in response to changing market and customer requirements are generally made by management committees. These committees include members of the Executive Board as well as first and second line managers.

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

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

The table above shows a year-on-year comparison of how these key indicators have developed. The terms are explained in the Financial Glossary. → Page 144

PERFORMANCE INDICATORS



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

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

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

General background

Overall economic trends

- Downturn in the global economy
- China reports lowest growth in 29 years
- Euro loses ground against other leading currencies

According to estimates made by the International Monetary Fund (IMF), world gross domestic product (GDP) increased by 2.9 percent in 2019, compared with a 3.6 percent rise in the previous year. This slowdown in growth is attributable to growing trade tensions, in particular the trade dispute between China and the USA, and increasing geopolitical risks, which had a negative impact on the global economy. Despite these challenges, there were signs towards the end of the year that the situation was starting to ease slightly as a result of the expansive monetary policies pursued by central banks.

Deceleration of the global economy in 2019 affected industrial and emerging economies alike. Economic growth in industrialized nations, for example, fell to 1.7 percent (2018: 2.2 percent) while the growth rate for emerging markets fell to 3.7 percent (2018: 4.5 percent).

Following weak performance in the previous year, the eurozone again reported only slight economic growth of 1.2 percent (2018: 1.9 percent). The major factors behind this trend were the ongoing uncertainty surrounding Brexit and concerns about Italy's future development. Marked slowdowns in growth were recorded in all of Europe's big economies.

The pace of growth in Germany lost considerable momentum in 2019. GDP increased by just 0.5 percent, down from 1.5 percent in the previous year. Private and government consumer spending was a key growth driver here. Alongside the macroeconomic factors mentioned above, marked slowdowns in the manufacturing sector, in particular weak production output in the automotive industry, had a further negative impact here.

REAL GDP (CHANGE FROM PREVIOUS YEAR)

AS A %

	2019	2018
World	2.9	3.6
Eurozone	1.2	1.9
Germany	0.5	1.5
USA	2.3	2.9
South America	0.1	1.1
China	6.1	6.6
Russia	1.1	2.3
Middle East and Central Asia	0.8	1.9
South Africa	0.4	0.8

Source: IMF, January 2020

After a strong 2018, the US economy also lost pace in 2019. Once the stimulating effects of President Trump's tax reform had dwindled, the economy grew by just 2.3 percent (2018: 2.9 percent). To prevent the economy from stagnating, the Federal Reserve Bank in the US cut its basic rate in July 2019 for the first time since December 2008. This reduction in interest rates was followed by two further cuts in September and October, each by a quarter of a percentage point.

China recorded growth of 6.1 percent – its lowest GDP rise for almost three decades (2018: 6.6 percent). This downturn in the Chinese economy is attributable to weak domestic demand and the trade conflict with the US, which has lasted almost two years now. Following an announcement in October that the two countries had agreed on the first phase of a deal, industrial production increased in December and investments were also up. Retail sales remained stable in 2019.

Currency trends

Weak economic growth and ongoing doubts about the political and economic stability of the eurozone resulted in the euro losing value against the US dollar during the period under review. The common European currency also lost ground against the currencies of other established economies like Switzerland, the UK and Japan. It was a different story in relation to emerging economies like Brazil or India, whose currencies decreased in value against the euro in 2019 as a result of sobering economic growth prospects and domestic political risks.

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

1 Euro equals

	2019	2018	Change as a %
US dollar (USD)	1.1234	1.1450	-1.9
Swiss franc (CHF)	1.0854	1.1269	-3.7
British pound (GBP)	0.8508	0.8945	-4.9
Japanese yen (JPY)	121.9400	125.8500	-3.1
Australian dollar (AUD)	1.5995	1.6220	-1.4
Brazilian real (BRL)	4.5157	4.4440	1.6
Chinese yuan (CNY)	7.8205	7.8751	-0.7
Indian rupee (INR)	80.1870	79.7298	0.6
Canadian dollar (CAD)	1.4598	1.5605	-6.5
Russian ruble (RUB)	69.9563	79.7153	-12.2
South African rand (ZAR)	15.7773	16.4594	-4.1

Source: Notes to the Consolidated Financial Statements, → page 90.

Overview of construction and agricultural industries

- Global construction sector on a sound footing
- Construction equipment sector remains at a high level
- Slowdown in agricultural sector over the course of the year

Developments in the global construction industry have a significant impact on the business performance of the Wacker Neuson Group. The sector can look back on another year of solid growth. According to Euroconstruct, construction activity in Europe rose by 2.3 percent. The public sector was the main growth driver here. In terms of regional breakdown, a number of Northern and Eastern European markets in particular fared well here, with some even reporting double-digit growth rates. In contrast, the German construction industry reported only slight gains. In the UK, construction activity was muted due to uncertainties around Brexit. More moderate growth relative to the previous year was also evident in the US construction industry. The drop in commercial and residential construction had a draw-down effect on the construction sector here.

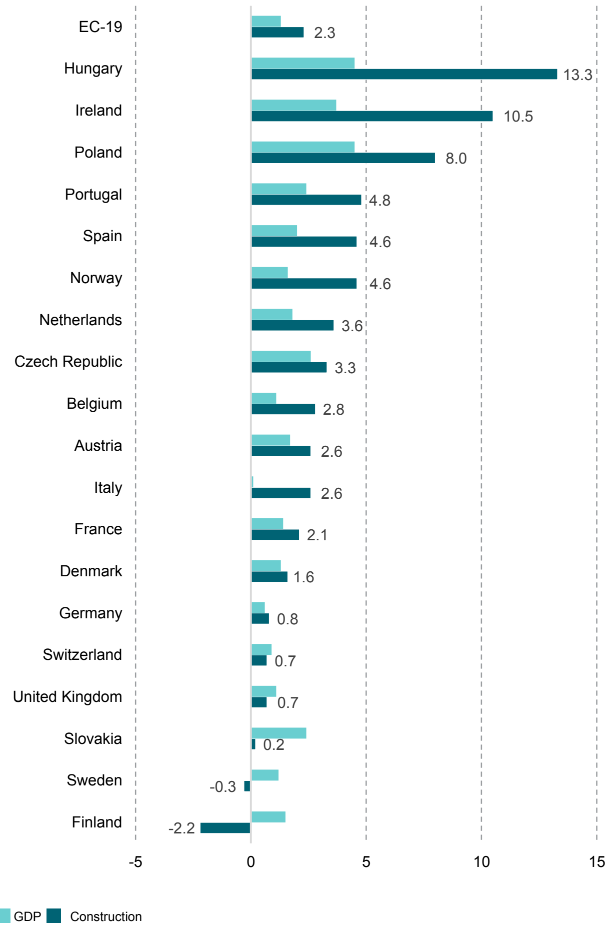
Following the record year of 2018, the construction equipment industry returned to normal levels in 2019. According to Off-Highway Research, global construction equipment sales again exceeded one million units in 2019 although 30,000 fewer units were sold than in the previous year. This corresponds to a drop of around three percent. The German Engineering Federation (VDMA) estimated that the global market volume in the year under review almost topped the EUR 140 billion mark for the first time. All of the major sales markets recorded growth rates here, with Europe even reporting a double-digit rise of 10 percent after nine months according to the VDMA. The Middle East, Africa, India and Oceania were the only markets to record declines in sales. According to the VDMA, German equipment manufacturers increased their sales by 6 percent in 2019. Bottlenecks in global supply chains and longer delivery times – both issues that plagued the industry in 2018 – were no longer a problem in 2019.

Marked cool-off in the agricultural equipment sector

In the first quarter of 2019, indicators from the European umbrella association for the agricultural machinery industry (CEMA) initially pointed to the European agricultural equipment sector consolidating on the overall positive level reported in the second half of 2018. According to the business barometer published by CEMA, however, trust in major markets – in particular Germany, the UK and Eastern European countries – eroded from the second quarter on. France was the only key market to remain stable. Throughout the course of the year, CEMA reported a marked decline in order intake meaning that order backlog continued to drop. In November, however, the negative prospects started to bottom out somewhat. The weak assessment of ongoing business and negative outlook affected all segments, although prospects were bleakest for the tractor and harvesting equipment segments. CEMA nonetheless expects that the current period of recession will be a shorter, more temporary deviation than the previous phase.

CHANGES IN GDP AND THE EUROPEAN CONSTRUCTION INDUSTRY 2019E

AS A %



Source: Euroconstruct, November 2019.

General legal framework

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

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

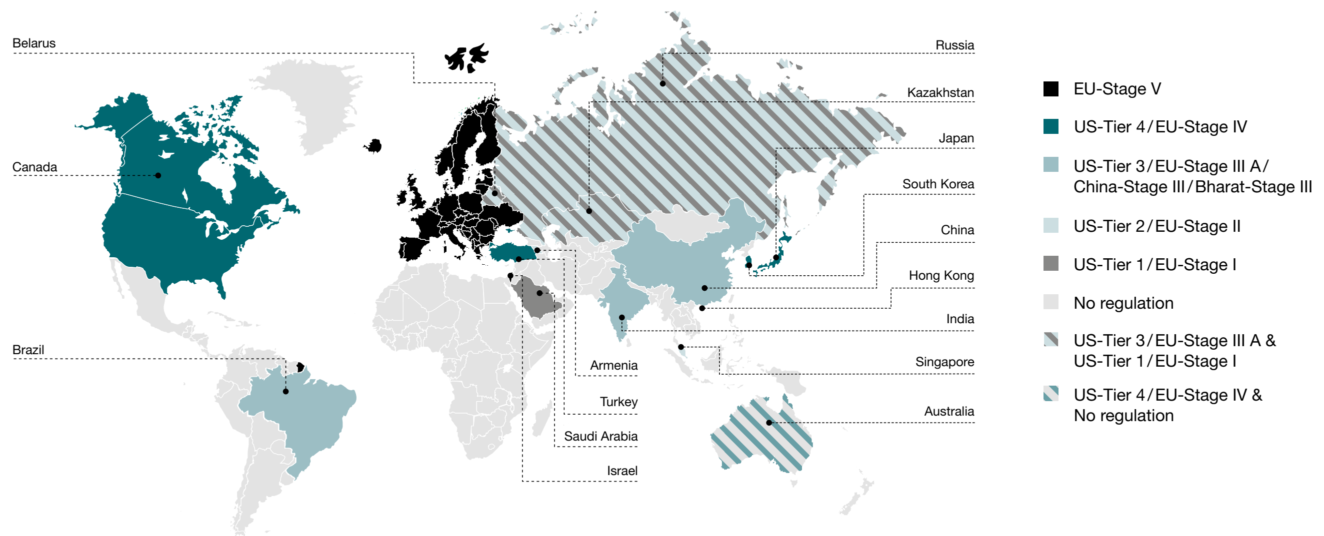
The company's product portfolio is reviewed on an ongoing basis and, if necessary, adapted to ensure compliance with new requirements and harmonized standards and norms. The aim is always to integrate new regulations as promptly as possible in processes and products.

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

On January 1, 2020, the EU Stage V emissions standard came into force in Europe for power categories between 56 kW and 130 kW. The standard has been applicable to engines <56 kW and >130 kW since January 1, 2019. The count and weight limits for particulate matter are even lower than the already strict US standards. In response to pressure from numerous stakeholder groups, a transition period of 24 months has been in place since the start of 2019 so that manufacturers can continue putting equipment with EU Stage IV engines on the market.

Despite this concession, the second implementation phase of EU Stage V (for power categories >56 kW and <130 kW) remains a major challenge for all manufacturers and their suppliers, especially as it necessitates the widespread use of closed diesel particulate filter systems in combination with selective catalytic reduction (SCR) systems. The Wacker Neuson Group is particularly affected by EU Stage V as the different technological solutions require new developments for many machines. The Group has made thorough preparations for the transition to the new emissions stage in recent years and has built up an appropriate stock of pre-buy engines for the 24-month transition phase. Beyond that, the Group is currently not aware of any other legislative changes that would have a significant impact on its business activities.

INCREASING INTENSIFICATION OF EMISSIONS REGULATIONS FOR DIESEL ENGINES



The figure shows a simplified overview of emissions regulations for diesel engines in non-road mobile machinery that are not harmonized at global level. Regulations are most stringent in Europe and the US. The stricter emissions regulations mandate a reduction in nitrogen oxide (NOx) and carbon monoxide (CO) levels as well as a reduction in particulate emissions. Since January 1, 2019, EU Stage V has been in force in Europe for machines with engines under 56 kW and over 130 kW. As of January 1, 2020, this standard also applies to engine classes between 56 kW and 130 kW. The Group has made thorough preparations for the gradual transition to the new emissions stage in recent years. The level of complexity involved resulted in significant challenges for development, production, logistics and sales. As such, the Group is making use of the 24-month transition phase provided for by legislators during which manufacturers can continue to put machines with EU Stage IV engines on the market. The Group has built up an appropriate stock of pre-buy engines for this purpose.

Competitive position

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

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

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

In addition, the Wacker Neuson Group operates in the agricultural equipment sector through its Weidemann and Kramer brands. Weidemann serves the Central European agricultural market with articulated wheel loaders and telescopic handlers. Through its partnership with John Deere, Kramer has markedly expanded its sales of machines for the agriculture industry in the past two years, supplying the sector with its portfolio of all-wheel drive machines. In this sector, the Group competes with companies such as Schäffer, Manitou and JCB.

The Group's strong market position for certain core products is built mainly on customer centricity, innovative strength, outstanding product and service quality, comprehensive product development and manufacturing know-how and an efficient sales and service network. With some core products, the Group has secured solid two-digit market shares. However, there are few official statistics available for market segmentation, making it difficult for the Group to provide a concrete overview of market shares, especially in the case of light equipment.

Changes in the competitive landscape
The key trends in the competitive landscape observed in the previous year continued in fiscal 2019. In particular, the alternative drive technologies and digitalization trends are becoming increasingly important in key markets for the Wacker Neuson Group.

Alternative drive technologies and digitalization

Electric drives are playing an ever more important role in the Wacker Neuson Group's target product segments. In addition to Wacker Neuson, several other providers showcased new machines and concepts that speak to these trends at the leading international trade fair bauma in April 2019 (refer to "Research and development" in the "Other factors that impacted on results" section → page 50). Volvo Construction Equipment unveiled an electric compact excavator and wheel loader as part of its new series of electrically powered compact equipment. Production is scheduled to start at the beginning of 2020. The company aims to phase out the development of new diesel-powered models within this series. Caterpillar presented the largest fully electric excavator to date in the 26-ton class with a 300-kWh battery pack, while Hitachi showcased two electric excavators as a concept study. JCB launched its first fully electric mini excavator in the 1.9-ton class in June. Bobcat followed suit in July with an electric mini excavator in the 1.2-ton class. In November, CNH Industrial and Microvast announced that they will be collaborating on the development of battery systems for electric drives. Alongside electric drive systems, construction equipment manufacturers are experimenting with other alternative drive concepts. Case Construction Equipment, for example, unveiled the first methane-powered wheel loader at bauma, presenting it as an alternative to conventional diesel engines. The methane engine was developed by the company's sister brand FPT Industrial. With a maximum of 230 horsepower, it delivers the same output and torque as the corresponding diesel engine used in the CASE 821G wheel loader.

The choice of digital solutions for more efficient operation of light and compact equipment is also growing all the time. In 2019, Wacker Neuson launched EquipCare and WeCare, two telematics-based service offerings for all Group brands. (Refer to "Sales, service and marketing" in the "Other factors that impacted on results" section → page 56.)

In 2019, John Deere, CLAAS, CNH Industrial and 365FarmNet started to develop an interface called DataConnect for the agricultural sector. DataConnect is the first manufacturer-independent solution that allows machine data to be seamlessly and automatically exchanged between different telematics platforms. It is due to be made available to customers and contract partners in the agricultural sector during the course of 2020.

Hitachi has entered into a partnership with the company ABAX to develop telematics solutions. Telematics software enables users to access the operating data from their machines, allowing them to boost productivity, maximize availability and lower operating costs.

Zeppelin has strengthened its expertise in mobile traffic guidance through the acquisition of the Luther Group, an organization that specializes in technologies for traffic telematics solutions, LED signage, and mobile protective barrier systems. The company has also launched a manufacturer-independent online portal for used construction equipment. As one in two prospective buyers now go online to research construction machines, Zeppelin's long-term aim is to build an online marketplace.

The Munich-based construction equipment rental start-up Klarx secured over EUR 12.5 million in funding and has expanded into Austria. Klarx digitalizes the entire value chain for equipment rental and has identified a Europe-wide need for a one-stop online shop for equipment rental.

Liebherr has launched an augmented reality app that can be used to project 3D data into real-life environments. Komatsu has opened an innovation and technology center called Komatsu HITec at its site in Hanover. Employees at HITec have access to a virtual reality room and machine simulators. Volvo Construction Equipment has invested in an innovation arena at its site in Eskilstuna, Sweden. This space will be used for demonstrating electric and self-driving machines.

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

A particularly high level of M&A activity could be observed among rental companies, as was already the case in the previous year. In April, Finnish rental company Ramirent acquired its Swedish rival Stavdal before being taken over in turn by the French rental group Loxam in August. This acquisition has created Europe's largest – and the world's third largest – equipment rental company. In November,

Dutch rental company Boels announced its plans to acquire its Finnish competitor Cramo. This merger has created one of the largest rental companies for construction equipment in northern, central and western Europe. French lifting platform rental company Kiloutou has strengthened its presence on the German market through the acquisition of M+S Arbeitsbühnen GmbH. Hitachi Construction Machinery has also strengthened its position in the European rental business by expanding its rental fleet under the banner of its Premium Rental Initiative. In addition to this, the company launched a multi-channel rental strategy for heavy equipment in China.

There were also a number of M&A transactions among construction equipment manufacturers in 2019. For example, LiuGong acquired its UK dealer Construction Plant and Machinery Sales Southeast (CPMS). This move sees the company establish its first international sales organization and take a more proactive approach to expanding its dealer network in Europe. Yanmar has filled a gap in its portfolio of compact equipment with the acquisition of skid steer manufacturer ASV Holding. Industrial equipment manufacturer AUSA has concluded a ten-year cooperation agreement with US company JLG Industries. Under the agreement, AUSA will manufacture an ultra-compact telescopic handler for JLG, thus reinforcing its strategic goal to expand its international reach and consolidate its market positioning also beyond the European Union.

Moving beyond mergers, many companies also looked at streamlining their business models through using spin-offs as a further strategic vehicle to make their organizations fit for the future. For instance, CNH Industrial announced that it would be hiving off its on-highway division Iveco, establishing the unit as a separate company by the start of 2021. By separating its off- and on-highway business in this way, CNH aims to actively contribute to industry consolidation. Terex sold its boom truck, truck crane and crossover product lines to US trailer manufacturer Load King in order to focus on its rough terrain and tower crane business. The company Cramo also demerged its container and module division Adapteo.

Winning market shares with product innovations

Taking the revenue developments of listed competitors as an indicator, the Wacker Neuson Group was able to increase its market share in many markets and regions in fiscal 2019 with a host of innovative products. In a market that remains positive, the Group benefits from its innovative strength, flexibility, continued diversification across target markets, cross selling across lines of business, strong financial position and independence.

Strategic alliances

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

John Deere

In 2018, the Wacker Neuson Group entered into a strategic alliance with the construction equipment division of John Deere for the distribution of mini-excavators and compact excavators under the “Deere” brand in China, Australia and select Southeast Asian countries. The company is aiming for long-term cooperation in these important growth markets. The partners are looking to further develop their market positions in the mini-excavator and compact excavator segments. The agreement also underlines the importance of the Chinese market for the Group. Strategy 2022 envisages strong growth for the Asia-Pacific region. The partnership covers machines in the 1.7- to 7.5-ton weight categories, which were specially developed by Wacker Neuson to meet the requirements of the Asian markets. Wacker Neuson supplies most of the machines from its Chinese plant in Pinghu, where mini-excavator and compact excavator production has been up and running since January 2018. The partnership will therefore improve capacity utilization at the plant. The first mini and compact excavators were delivered to John Deere in 2019, albeit in lower volumes than originally planned due to the challenging market dynamics.

Back in 2017, Group affiliate Kramer and John Deere entered into a strategic alliance for the distribution of telescopic handlers and wheel loaders for the agricultural sector. The agreement covers the sale of Kramer-branded “green line” compact equipment. Featuring the Kramer design and brand, the machines are distributed via the John Deere dealer network. The collaboration got off to a successful start in 2017 and has developed positively since then. Kramer was able to get numerous dealers on board in 2019 in Central, Eastern and Southern European markets and Scandinavia. This year, Kramer will be intensifying its efforts in Eastern Europe. From the first quarter on, for example, the company will be entering the Russian market. Buoyed by the positive feedback to the strategic alliance in Europe and the Commonwealth of Independent States, the two partners are considering expanding it to other regions of the world. The market for materials handling products is growing rapidly in the agricultural sector. Through long-term collaboration with John Deere dealers, Kramer is aiming to sustain and expand its market reach in the segment. John Deere recommends Kramer to its sales partners as the preferred supplier for compact wheel loaders and tele wheel loaders and telescopic handlers. The products are developed and manufactured at the Kramer site in Pfullendorf.

Wirtgen/Hamm

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

Trackunit

The Group is continuing to expand its digital offering. Trends like the digital networking of products and services play a key role in adding value to customers. (Refer to “Services” in the “Segment reporting by business segment” section → page 48.) To support these efforts, the Wacker Neuson Group entered into a strategic alliance for the development and use of telematics systems and mobile apps for compact equipment with the Danish telematics specialist Trackunit in 2018.

Caterpillar

As part of an OEM partnership, Wacker Neuson developed and manufactured mini excavators with a total weight of up to three tons for Caterpillar from 2010 to 2018. Caterpillar distributes these machines globally under its own brand via its sales network, with the exception of Japan. As reported, this strategic alliance came to an end on May 31, 2018. Wacker Neuson nevertheless expects that it will continue to supply individual OEM models to Caterpillar in 2020 and 2021 as it did in 2019, albeit in significantly lower volumes.

Zeppelin

Wacker Neuson has been manufacturing mobile excavators in the 6.5- and 11-ton weight categories for Zeppelin Baumaschinen GmbH since 2018 as part of a cooperation agreement. The mobile excavators are manufactured according to Zeppelin’s design specifications at Wacker Neuson’s plant in Hörsching, near Linz, and distributed via Zeppelin’s branch network. The collaboration will be expanded to Austria and the Czech Republic in 2020. In addition to this, Wacker Neuson has been

manufacturing a portfolio of 15 light equipment products in the field of hand-guided compaction technology for Zeppelin since 2018.

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

Business trends

- Revenue growth across all reporting regions and business segments
- Profitability down on previous year
- Cash flow impacted by increased net working capital and investments in future growth

General statement on business performance

The Wacker Neuson Group reported significant gains in revenue in fiscal 2019. Revenue rose 11.2 percent to a new record high of EUR 1,901.1 million (2018: EUR 1,710.0 million). Adjusted for currency effects, this corresponds to a rise of 9.8 percent. This growth was fueled by generally positive trends in the construction sector in the core markets of Europe and North America. The Group also reported above-par growth in the European agricultural sector.

In Europe, revenue for 2019 rose 10.4 percent to EUR 1,379.0 million (2018: EUR 1,248.9 million). The Group reported its strongest gains in France, Italy, Spain, Poland, the Benelux countries, Germany, Austria and the Czech Republic. Despite uncertainties surrounding Brexit, the company also achieved significant double-digit growth in the UK. The Dual View dumper, which was launched at the end of 2018, proved to be a key growth driver here, winning shares in a challenging market. As in the previous year, the agricultural business made an above-par contribution to revenue growth in Europe. Group brands Kramer and Weidemann reported a 21.2 percent increase in revenue to EUR 310.2 million (2018: EUR 256.0 million).

Revenue for the Americas rose 14.5 percent to EUR 459.5 million (2018: EUR 401.3 million). Business with worksite technology, including generators and light towers, developed particularly well here. In addition, the Group reported a rise in sales of compact equipment imported from Europe. The Group also benefited here from the development of the euro against the US dollar. Adjusted for currency effects, revenue increased 9.1 percent.

In the Asia-Pacific region, revenue also rose compared with the previous year to reach EUR 62.6 million (2018: EUR 59.8 million). This region is an important growth market for the Wacker Neuson Group. However, the Group faced strong price pressure here, particularly in the second half of the year.

Profit before interest and tax (EBIT) for the period under review amounted to EUR 153.1 million, which is a drop of 5.7 percent (2018: EUR 162.3 million). The EBIT margin reached 8.1 percent (2018: 9.5 percent). This was attributable to a number of factors including the buildup of unfinished machines at the Group's production plants, which was caused by considerable bottlenecks in the supply chain in 2018. Rework and additional shifts were required to reduce this inventory, particularly in the first half of the year. To ensure the Group was able to meet market demand for its products in 2019 – something it was unable to do in 2018 – the company increased its demand forecast with suppliers and ramped up its own production output. In light of the high levels of inventory and following a downturn in quarterly growth rates, the Group made cutbacks to its production program in the second half of the year. This resulted in temporary inefficiencies at its production plants.

Restructuring measures at the North American plant in Menomonee Falls also had a dampening effect and the targeted increase in profitability could not be realized within the planned timeline here. As part of its efforts to streamline inventory, the Group sold off a significant amount of equipment in North America and Scandinavia in particular, which had a dampening effect on profit.

Cash flow impacted by increase in net working capital

Cash flow from operating activities was again negative at EUR -20.9 million (2018: EUR -15.5 million). This was primarily due to the rise in net working capital, whereby inventories, trade receivables and trade payables all helped fuel this increase (refer to the “Financial position” section, → page 32). The expansion of the dealer network in North America and increased investments in the Group’s future growth also had a negative impact here. Free cash flow amounted to EUR -115.7 million (2018: EUR -0.3 million). Free cash flow for the previous year includes a one-off positive effect in the amount of EUR 60.0 million from the sale of a real-estate company held by the Group.

Comparison between the actual and projected performance

In its guidance for fiscal 2019, the Executive Board expected Group revenue to amount to between EUR 1.775 and EUR 1.850 billion and the EBIT margin to lie between 9.5 and 10.2 percent. Net working capital expressed as a percentage of revenue was predicted to be slightly lower than the previous year (2018: 37.7 percent).

Following the publication of its results for the first quarter, the Executive Board concretized that it expected revenue to come in at the “upper half” of the projected range. Upon publishing the preliminary results for the third quarter and buoyed by ongoing positive developments, the company projected that revenue would reach “the upper end” of the range.

On October 15, 2019, Wacker Neuson published an ad hoc press release stating that it now expected an EBIT margin of between 8.3 and 8.8 percent for 2019 as a whole. This was due to a less favorable product and customer mix as well as delays in realizing the targeted increase in profitability in the US and lower productivity levels at production plants related to cutbacks in production. The Executive Board also changed its guidance for the net working capital ratio at the end of the year, expecting it to be “significantly” higher than the previous year instead of the “slightly higher” adjusted guidance given in connection with publication of the Q2 results.

Revenue for fiscal 2019 amounted to EUR 1,901.1 million and thus exceeded the upper end of the projected range. At 8.1 percent, the EBIT margin came in below the adjusted range. Net working capital expressed as a percentage of revenue was 42.7 percent at the closing date (2018: 37.7 percent).

The Group published its preliminary figures on January 20, 2020 and announced that revenue would amount to around EUR 1.9 billion while the EBIT margin would come in at around 8.0 percent. The discrepancy between this figure and the EBIT margin of 8.1 given in this report is due to a change in reporting relating to income from customer financing. For further information on this, refer to the Notes to the Consolidated Financial Statements. → Page 86 Prior-year figures have been adjusted accordingly.

Equity ratio below the previous year

Borrowings increased as a result of the clearly negative cash flow from operating activities and extensive investments in the Group’s future growth. Gearing amounted to 35.8 percent at the closing date (2018: 16.8 percent) while the equity ratio fell to 55.8 percent (2018: 63.8 percent).

Long-term financial basis strengthened

In the second quarter of fiscal 2019, the Group placed a promissory note (Schuldschein) in the amount of EUR 150 million. The promissory note (Schuldschein) was issued in two tranches of five and seven years, each with fixed interest rates. The allotment took place at the lower end of the marketing range.

No changes in the composition of the executive bodies

No changes were made to the composition of the Executive Board or the Supervisory Board of Wacker Neuson SE in fiscal 2019.

Wacker Neuson SE free float increased

In July 2019, Wacker Neuson SE was informed that individual members of the share pool made up of the Wacker and Neunteufel families have successfully placed around 3.8 million company shares with institutional investors. As a result of the sale, the portion of Wacker Neuson shares held in free float has risen to approximately 42 percent (2018: approx. 37 percent). Around 58 percent of shares are still held by the family pool (2018: approx. 63 percent). The partial sale of shares by the pool was prompted by an asset diversification strategy and proactive inheritance plans executed by the family members in question. At the same time, the shareholders in the Wacker and Neunteufel families remain committed in the long term to the company and intend to continue to hold the majority of shares in the company through the existing family consortium. Further information on the pool agreement is available on → page 65.

Targeted implementation of Strategy 2022

The Wacker Neuson Group unveiled its new Group strategy in March 2018. The aim of Strategy 2022 is to ensure that the company is focused 100 percent on its customers’ needs. It is designed to make the Group more streamlined and more agile. Guided by the initiative’s three strategic pillars of “focus”, “acceleration” and “excellence”, the Group aims to further expand its market positions while at the same time driving growth and increasing profitability. The Group continued to successfully implement a wide range of initiatives within the framework of Strategy 2022 during fiscal 2019: For further information, refer to the “Opportunities for future development” section on → page 71 ff.

	Guidance March 14, 2019	Guidance May 7, 2019	Guidance August 6, 2019	Guidance October 15, 2019	Achieved 2019
Revenue	EUR 1,775 to EUR 1,850 million	Upper half of the projected range	Unchanged	Upper end of the projected range	€ 1,901.1m
EBIT margin	9.5 to 10.2%	Unchanged	Unchanged	8.3 to 8.8%	8.1%
Net working capital as a % of revenue	Slightly lower than previous year	Unchanged	Slightly higher than previous year	Significantly higher than previous year	42.7%

Profit, financials and assets

The report on profit, financials and assets covers a total of 55 consolidated Group companies (2018: 54) including the holding company, Wacker Neuson SE.

Profit

- Group revenue climbs to new all-time high
- Profitability impacted by inventory streamlining measures and restructuring in North America
- EBIT margin below previous year

Revenue for the Wacker Neuson Group for fiscal 2019 rose 11.2 percent to EUR 1,901.1 million (2018: EUR 1,710.0 million). This rise in revenue was fueled by high levels of acceptance for Group products and positive developments in the core regions of Europe and North America. Adjusted for currency effects, revenue rose 9.8 percent.

The following factors had a particular impact on revenue:

- Continued positive market trends in the European and North American construction industry
- Above-average gains in the European agricultural sector with Group brands Kramer and Weidemann
- Significant growth in the worksite technology sector in North America
- Increased sales of compact equipment in North America
- Expansion of business with key accounts

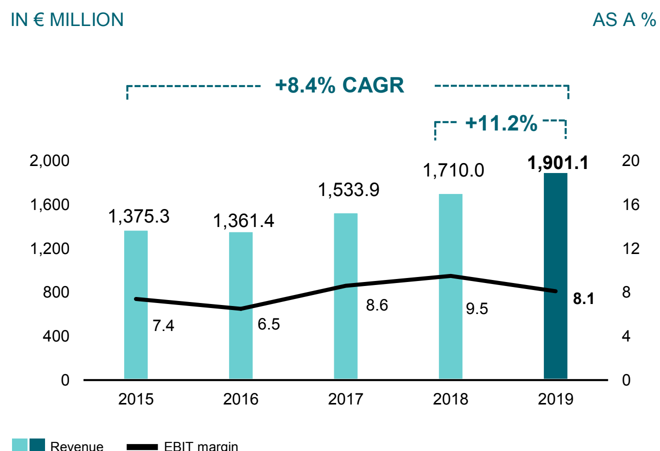
Despite the rise in revenue, Group profit decreased compared with the previous year. The cost of sales grew at a faster pace than revenue, rising 14.0 percent to EUR 1,426.2 million (2018: EUR 1,251.6 million).

Gross profit thus amounted to EUR 474.9 million, which corresponds to a gross profit margin of 25.0 percent (2018: EUR 458.4 million; 26.8 percent). Profit before interest and tax (EBIT) decreased 5.7 percent to EUR 153.1 million. The EBIT margin came to 8.1 percent (2018: EUR 162.3 million; 9.5 percent).

The drop in profitability was caused by a number of factors, including the build-up of unfinished machines at the Group's production plants, which was caused by considerable bottlenecks in the supply chain in 2018. Rework and additional shifts were required to reduce this inventory, particularly in the first half of the year. To ensure the Group was able to meet market demand for its products in 2019 – something it was unable to do in 2018 – the company increased its demand forecast with suppliers and ramped up its own production output. In light of the high levels of inventory and following a downturn in quarterly growth rates, the Group made cutbacks to its production program in the second half of the year. This resulted in temporary inefficiencies at its production plants.

Restructuring measures at the North American plant in Menomonee Falls also had a dampening effect and the targeted increase in profitability could not be realized within the planned timeline here. As part of its efforts to streamline inventory, the Group sold off a significant amount of equipment in North America and Scandinavia in particular. This had a dampening effect on profit.

REVENUE AND MARGIN DEVELOPMENT 2015 – 2019

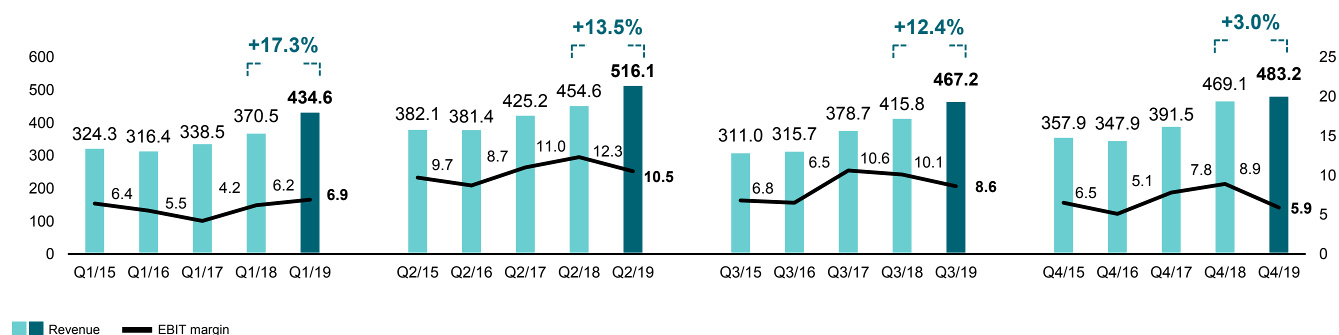


- Fueled by high levels of market acceptance for Group products and positive trends in the core markets of Europe and North America, revenue for the Wacker Neuson Group rose 11.2 percent in 2019.
- Over the past five years, Group revenue rose by an average of 8.4 percent per year. In the last three years, the average annual pace of growth increased to 11.3 percent.
- Due to extensive restructuring measures in the US and a major adjustment to the production program in the second half of the year, the EBIT margin amounted to 8.1 percent, which is 1.4 percentage points below the previous year.

In fiscal 2019, expenses for service technicians are reported under cost of sales (previously: personnel costs were reported under cost of sales while expenses for pro-rata material costs were reported under sales and service expenses). There has also been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. Refer to "Changes to accounting and valuation methods and adjustments to accounting estimates" in the Notes to the Consolidated Financial Statements for further information. Prior-year figures have been adjusted accordingly.

QUARTER-ON-QUARTER COMPARISON: REVENUE AND EBIT MARGIN 2015 – 2019 (QUARTERLY FIGURES UNAUDITED)

IN € MILLION | AS A %



In fiscal 2019, expenses for service technicians are reported under cost of sales (previously: personnel costs were reported under cost of sales while expenses for pro-rata material costs were reported under sales and service expenses). There has also been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. Refer to “Changes to accounting and valuation methods and adjustments to accounting estimates” in the Notes to the Consolidated Financial Statements for further information. Values for 2018 have been adjusted accordingly.

Profit developments in detail

Operating costs (costs for SG&A and R&D expenses) increased at a slower rate than revenue, rising 9.1 percent to EUR 337.5 million (2018: EUR 309.3 million). The cost-to-revenue ratio decreased to 17.8 percent (2018: 18.1 percent).

Sales and service expenses increased 12.1 percent to EUR 224.8 million (2018: EUR 200.6 million). This increase is primarily attributable to the higher volume of business, increased personnel expenses and costs related to the construction equipment trade show bauma. The Group also continued its strategy to expand its international sales activities in all three regions under review. Furthermore, expenses for service technicians were reported under cost of sales in fiscal 2019. In the previous year, pro-rata material costs were reported under sales and service expenses. The prior-year figure has been adjusted accordingly to enable a clearer comparison.

Research and development costs amounted to EUR 36.9 million and were thus higher than the prior-year level (2018: EUR 35.9 million). A total of EUR 26.3 million in development costs was capitalized in 2019 in conjunction with the development of new products (2018: EUR 18.4 million). The research and development ratio, including capitalized expenditure, amounted to 3.3 percent of revenue (2018: 3.2 percent).

General and administrative expenses increased 4.1 percent to EUR 75.8 million (2018: EUR 72.8 million). This increase is primarily attributable to a rise in personnel costs. The administrative cost ratio fell to 4.0 percent as a result of the rise in revenue (2018: 4.3 percent). The capitalized costs for IT and software amounted to EUR 9.6 million in 2019 (2018: EUR 8.1 million).

At EUR 17.6 million, other operating income was higher than the previous year (2018: EUR 14.2 million). This increase was fueled by the sale of the Group’s trowel business as well as proceeds from the resolution of a legal dispute and government grants received for the production plant in China. Other operating expenses increased to EUR 1.9 million (2018: EUR 1.0 million).

Profit before interest, tax, depreciation and amortization (EBITDA) improved 7.5 percent to EUR 257.4 million, compared with EUR 239.4 million in the previous year. The EBITDA margin amounted to 13.5 percent and was thus slightly lower than the previous year (2018: 14.0 percent). Adjusted for the effect of initial application of the accounting standard IFRS 16, EBITDA was lower than the previous year at EUR 234.7 million.

In total, depreciation and amortization amounted to EUR 104.3 million in 2019 and was thus significantly higher than the previous year (2018: EUR 77.1 million). This is due to the initial application of IFRS 16, which resulted in an effect of EUR 20.1 million. Depreciation and amortization includes write-downs on the Group’s rental equipment in the amount of EUR 41.0 million (2018: EUR 36.6 million).

Profit before interest and tax (EBIT) fell 5.7 percent to EUR 153.1 million. This corresponds to a margin of 8.1 percent (2018: EUR 162.3 million; 9.5 percent). This figure includes a positive effect from the initial application of IFRS 16 in the amount of EUR 2.6 million. Rental and/or lease expenses are now recognized through a depreciation and interest component. Previously, these expenses were posted in the income statements of the individual functional lines. The interest component is recognized in the financial result. For further information on this, refer to the Notes to the Consolidated Financial Statements. → Page 83 ff. There has also been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. Prior-year figures have been adjusted accordingly. For further information on this, refer to the Notes to the Consolidated Financial Statements. → Page 86

The financial result for 2019 (comprising financial income and expenses) amounted to EUR -15.6 million (2018: EUR -14.1 million). For further information on the development of this figure, refer to “Financial position” and item 5, “Financial result”, in the Notes to the Consolidated Financial Statements.

Profit before tax (EBT) amounted to EUR 137.5 million (2018: EUR 203.0 million). The figure for the previous year included one-off income of EUR 54.8 million from the sale of a real-estate company owned by the Group.

Tax expenditure came to EUR 49.0 million (2018: EUR 58.4 million), which corresponds to a tax rate of 35.6 percent (2018: 28.8 percent). The increase in the tax rate was the result of depreciation and amorti-

zation and non-capitalization of deferred tax assets. For further information, refer to item 6, “Taxes on income”, in the Notes to the Consolidated Financial Statements.

The Wacker Neuson Group realized profit of EUR 88.5 million in fiscal 2019 (2018: EUR 144.6 million). After adjusting the previous year’s result to discount the one-off income resulting from the sale of a real-estate company owned by the Group in the amount of EUR 45.8 million (net), this corresponds to a decrease of 10.4 percent (adjusted profit for the period 2018: EUR 98.8 million).

70.14 million ordinary shares were in circulation at all times during fiscal 2019. This resulted in earnings per share (diluted and undiluted) of EUR 1.26 (2018: EUR 2.06). After discounting the sale of the real-estate property, earnings per share for the previous year amounted to EUR 1.41.

Quarterly developments (unaudited)
The figure above shows quarterly revenue and profit for fiscal years 2015 to 2019. The dynamic pace of growth experienced in the fourth quarter of 2018 continued into the first quarter of 2019, with revenue increasing 17.3 percent on the previous year. Whereas Q2 and Q3 revenue remained strong with 13.5 and 12.4 percent growth rates respectively, the final quarter of the year reported 3.0 percent growth relative to the strong prior-year baseline. Q4 2018 had been the strongest ever quarter for Group revenue. Refer to “Developments in Q4 2019” for further information on Q4 business developments. → Page 39

Financial position

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

Principles and targets of financial management
At the Wacker Neuson Group, financial management encompasses the planning, management and controlling of all measures related to the sourcing (financing) and utilization (investment) of funds. The main focus is on ensuring and maintaining liquidity in the form of sufficient credit lines or liquid funds. Financial management also aims to optimize the company’s risk/return ratio or profitability (return on equity and on assets) while ensuring conformity with the company’s general risk policy (investment and financing risks). The Group draws on set balance sheet ratios and key indicators to manage its financing needs. The most important indicators here are net financial debt – resulting from current net financial liabilities and non-current financial liabilities – and the equity ratio.
→ Financial glossary, page 144

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

Refinancing developments
The Wacker Neuson Group benefits from its outstanding credit rating, which is also acknowledged by the banks. In 2019, Deutsche Bundesbank again confirmed that Wacker Neuson SE was eligible for credit. The company aims to maintain its independence, directly sourcing its own diverse refinancing lines on the market.

In the second quarter of fiscal 2019, the Group placed a promissory note (Schuldschein) in the amount of EUR 150 million. The promissory note (Schuldschein) was issued in two tranches of five and seven years, each with fixed interest rates. The allotment took place at the lower end of the marketing range.

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

KEY FINANCIAL INSTRUMENTS AT DECEMBER 31, 2019

	Amount in €/USD million	Due	Interest rate as a %
Promissory note (Schuldschein) 2017 in EUR m	125.0	2022	0.69
Promissory note (Schuldschein) 2018 in USD m (Tranche I)	77.5	2023	3.97
Promissory note (Schuldschein) 2018 in USD m (Tranche II)	22.5	2025	4.26
Promissory note (Schuldschein) 2019 in EUR m (Tranche I)	70.0	2024	0.65
Promissory note (Schuldschein) 2019 in EUR m (Tranche II)	80.0	2026	0.99
Short-term borrowings from banks in EUR m	112.4	n/a	variable

Cash flow impacted by increase in net working capital

Cash flow from operating activities for the past fiscal year was negative again at EUR -20.9 million (2018: EUR -15.5 million). This is primarily attributable to the increase in net working capital. → Page 34

Discounting investments in net working capital, cash flow from operating activities amounted to EUR 190.2 million (2018: EUR 124.6 million). In addition to the increase in revenue, the following key factors contributed to the change relative to the previous year: In 2019, the Group did not invest quite as heavily in its rental equipment as it did in the previous year. The Group also built up fewer other assets in conjunction with the expansion of the anchor dealer network in the US in 2019 than it did in 2018. At the same time, there was a rise in the depreciation expense used to determine cash flow from operating activities. This is primarily an effect of the initial application of IFRS 16, which increased depreciation by EUR 20.1 million. The offsetting items are recognized in the cash flow from financing activities in the lines “Repayments from leasing liabilities” and “Interest paid”.

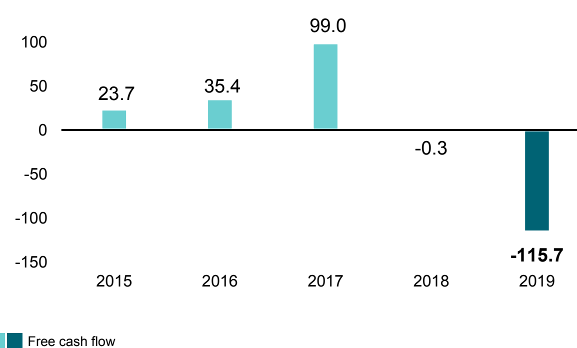
Cash flow from investment activities for 2019 amounted to EUR -94.8 million (2018: EUR 15.2 million). This figure was shaped by a number of factors, including increased investments in the Group’s production plants. In addition, the Group acquired a minority share in a US sales partner. The same item for the previous year includes cash inflows from the sale of a real-estate company owned by the Group as well as proceeds from the disposal of assets, which did not re-occur in that form in 2019.

Free cash flow corresponds to cash flow from operating activities less cash flow from investment activities. In fiscal 2019, free cash flow amounted to EUR -115.7 million as a result of the factors described above (2018: EUR -0.3 million).

Cash flow from financing activities for 2019 amounted to EUR 117.9 million (2018: EUR 17.3 million). The largest items here were the cash inflows from short-term borrowings and the promissory note (Schuldschein) placed in May 2019 in the amount of EUR 150 million. The Group also repaid short-term borrowings and the second tranche of the 2012 promissory note (Schuldschein) in the amount of EUR 30.0 million. At EUR 77.2 million in total, the dividend payout for fiscal 2018 was significantly higher than the previous year’s figure of EUR 42.1 million. This was due to an additional special dividend payout made in conjunction with the sale of a Group real-estate company. Refer to item 32, “Cash flow statement”, in the Notes to the Consolidated Financial Statements for further information.

FREE CASH FLOW 2015 – 2019[1]

IN € MILLION



[1] Refer to item 32 in the Notes to the Consolidated Financial Statements for further information about the cash flow statement.

Liquidity situation

The Wacker Neuson Group was able to meet liquidity needs in 2019 through a combination of credit lines extended by banks and the new promissory note (Schuldschein). For further details on the terms and conditions of credit lines, refer to item 21, “Long- and short-term financial liabilities”, in the Notes to the Consolidated Financial Statements.

The Group reported liquid funds to the value of EUR 46.3 million at December 31, 2019 (2018: EUR 43.8 million). These funds are held by Wacker Neuson SE and affiliates that cannot participate in the existing cash pool structures for legal reasons. The Wacker Neuson Group continues its efforts to improve this situation within the limits of what is legally possible.

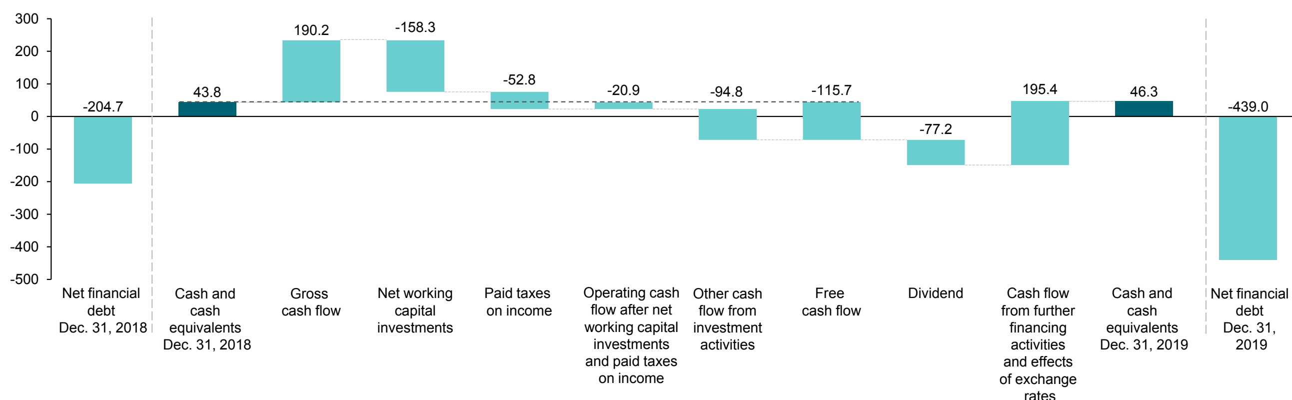
Net financial debt expressed as a ratio of EBITDA amounted to 1.7 at the closing date (2018: 0.9). Although this is a higher figure, it still underscores the Group’s continued strong financial position.

IN € MILLION

	2019	2018	2017	2016	2015
Cash flow from operating activities	**-20.9**	**-15.5**	**138.0**	**79.4**	**78.5**
Purchase of property, plant and equipment	-50.5	-37.3	-29.5	-32.3	-42.3
Purchase of intangible assets	-38.7	-36.0	-17.9	-16.2	-17.7
Purchase of investments	-9.3	–	–	–	–
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	3.7	28.5	8.4	4.5	5.0
Proceeds from the sale of a real-estate company	–	60.0	–	–	–
Change in consolidation structure	–	–	–	–	0.2
Cash flow from investment activities[1]	**-94.8**	**15.2**	**-39.0**	**-44.0**	**-54.8**
Free cash flow	**-115.7**	**-0.3**	**99.0**	**35.4**	**23.7**

[1] FY 2018: Includes cash inflow of EUR 60.0 million from the sale of a real-estate company belonging to the Group.

LIQUIDITY SITUATION
IN € MILLION



Cash flow in 2019 was impacted in particular by the rise in net working capital and investments in the Group's future growth. At EUR 77.2 million, the dividend payout in 2019 was higher than the previous year (2018: EUR 42.1 million). The Group reported liquid funds to the value of EUR 46.3 million at December 31, 2019 (2018: EUR 43.8 million). Net financial debt rose to EUR 439.0 million (2018: EUR 204.7 million).

Forward-looking investments in future growth

The Wacker Neuson Group again made investments in its future growth during fiscal 2019. Investments in property, plant and equipment and intangible assets amounted to EUR 89.2 million (2018: EUR 73.3 million). Investments in property, plant and equipment (investment volume: EUR 50.5 million; 2018: EUR 37.3 million) included investments to expand the production facilities at Korbach, Pfullendorf and Kragujevac. Investments in intangible assets (EUR 38.7 million; 2018: EUR 36.0 million) covered mainly capitalization of development activities and also software. The ratio of investments to write-downs amounted to 2.1 (2018: 1.8).[1] Investments in the Group's rental equipment are not included in investments in property, plant and equipment (these are disclosed under current assets). Investments in the Group's rental equipment amounted to EUR 89.7 million in 2019 (2018: EUR 92.6 million). The Group also acquired a minority shareholding in a sales partner in order to strengthen its US sales network (EUR 8.8 million). This is reported in the balance sheet under investments. For more information, refer to "Changes to accounting and valuation methods" in the Notes to the Consolidated Financial Statements. → Page 86

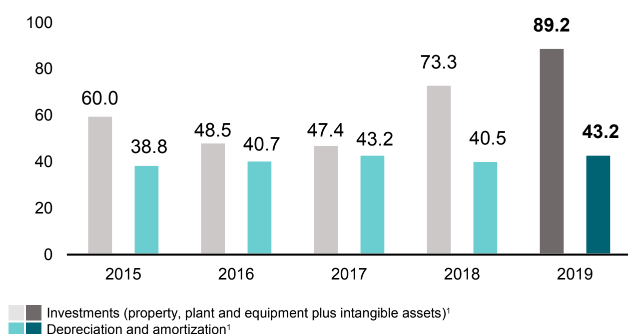
Sharp rise in net working capital

Targeted inventory management is crucial for ensuring that the Group can meet the needs of global markets. The company needs to maintain higher stock levels due to the many different product parts and model versions it now manages as a result, in part, of the amended emissions legislation governing construction equipment. Furthermore, Wacker Neuson distributes its products in Europe via its own affiliates with numerous sales and service stations. This results in some cases in higher inventory levels of finished products than those held by competitors who primarily sell their products to end customers via dealers.

At EUR 811.7 million, the Wacker Neuson Group's net working capital rose much more sharply than planned in fiscal 2019 (2018: EUR 643.9 million). Net working capital expressed as percentage of revenue for the year increased by around five percentage points to 42.7 percent (2018: 37.7 percent). This was primarily attributable to increased inventory and a rise in trade receivables. In contrast, trade payables decreased.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND IN INTANGIBLE ASSETS AND WRITE-DOWNS 2015 – 2019[1]

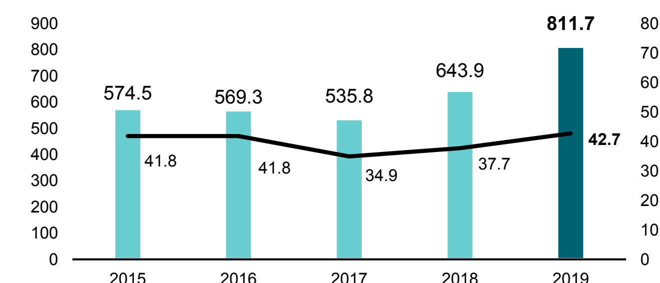
IN € MILLION



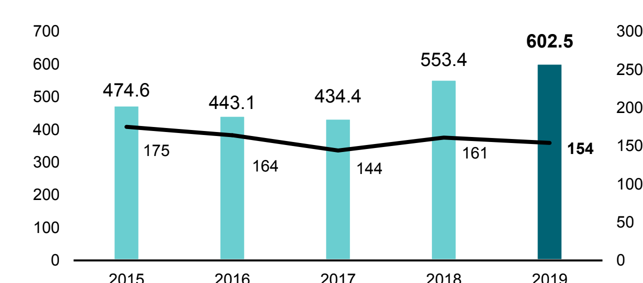
- The Group invested EUR 89.2 million in property, plant and equipment and intangible assets in 2019 (2018: EUR 73.3 million), of which EUR 50.5 million was channeled into property, plant and equipment (2018: EUR 37.3 million) and EUR 38.7 million into intangible assets (2018: EUR 36.0 million).
- Group investments were much higher than write-downs in 2019 (ratio of investments to write-downs = 2.1).[1] This underscores the Group's long-term growth strategy.

[1] Adjusted for the effect of the initial application of IFRS 16. Values are based on property, plant and equipment and intangible assets. The Group's own rental equipment and purchases of investments are not included.

NET WORKING CAPITAL 2015 – 2019



INVENTORY AND DAYS INVENTORY OUTSTANDING 2015 – 2019



Net working capital rose sharply in fiscal 2019. Expressed as a percentage of revenue, net working capital rose to 42.7 percent (2018: 37.7 percent). A rise in inventory and trade receivables coupled with a reduction in trade payables were key factors here. In the medium term, the Group aims to achieve a net working capital ratio of ≤ 30 percent and days inventory outstanding of around 125 days.

Increased inventory levels

The rise in inventory can be traced back to 2018. Bottlenecks in the Group's global supply chain resulted in the Group adopting a more conservative inventory strategy for raw materials and supplies in the second half of that year. Despite this approach, a lack of components meant that many machines could not be completed for customer orders. As a result, the number of unfinished machines was much higher than usual and the Group was unable to meet market demand for its products. In order to meet consistently strong customer demand and prevent a similar situation to 2018 from occurring, the Group ramped up production output at the start of 2019, which, in turn, increased stocks of finished machines.

The Group had also built up inventories of pre-buy engines as a result of the new EU Stage V emissions standard coming into force. This stock had, in part, been reduced by the close of 2019. The remaining pre-buy engines will be installed by mid-2020 and brought to market during the course of the year.

By selling off equipment in Q4 and introducing adjustments to production output in the summer, the Group was able to reduce inventory levels to EUR 602.5 million by the end of the year. For the year as a whole, this still corresponds to a 8.9 percent rise in inventory (2018: EUR 553.4 million). Days inventory outstanding fell from 161 to 154 days.[1]

Trade receivables and trade payables

Trade receivables rose due to the increased volume of business and the Group's targeted efforts to expand its dealer network in North America. At the close of the year, trade receivables amounted to EUR 359.1 million (2018: EUR 303.3 million). Days sales outstanding increased to 69 days (2018: 65 days).[2]

In contrast to this, trade payables decreased. This was primarily attributable to the reduction in production output in the second half of the year. In addition to this, the figure for the previous year was bolstered by stocks of pre-buy engines. In a year-on-year comparison, trade payables decreased 29.6 percent to EUR 149.9 million (2018: EUR 212.8 million). Days payables outstanding dropped to 38 days (2018: 62 days).[3]

IN € MILLION

	2019	2018	2017	2016	2015
Inventory at Dec. 31	602.5	553.4	434.4	443.1	474.6
Days inventory outstanding[1]	154	161	144	164	175
Trade receivables at Dec. 31	359.1	303.3	235.1	213.8	180.0
Days sales outstanding[2]	69	65	56	57	48
Trade payables at Dec. 31	149.9	212.8	133.7	87.6	80.1
Days payables outstanding[3]	38	62	44	32	30
Net working capital at Dec. 31	811.7	643.9	535.8	569.3	574.5
Net working capital as a % of revenue	42.7%	37.7%	34.9%	41.8%	41.8%

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

Focus on reducing net working capital

By the end of fiscal 2022, the Group is committed to achieving a net working capital to revenue ratio of ≤ 30 percent.

In 2019, the Group made extensive adjustments to its planning processes and associated IT systems in order to reduce days inventory outstanding to around 125 days in the long term. To provide a clearer view of inventory across the Group, SAP Analytics Cloud was introduced in 2019. This analysis tool tracks the development of inventory and target stock levels for each country and company at product level. It can also be used to verify the production plans and forecasts of sales affiliates. Deviations from planned targets can be identified more quickly and countermeasures can be implemented. SAP IBP (Integrated Business Planning) will be rolled out in the next step in 2020, allowing an integrated approach to sales and production planning to be expanded across the Group. The system will enable the Group to dovetail sales and production planning activities.

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

Return on capital employed

Fueled by the growth in revenue, the rise in net working capital described above (EUR +167.8 million) and the initial application of IFRS 16 (EUR +82.8 million), capital employed increased 22.1 percent to EUR 1,749.0 million (2018: EUR 1,431.9 million). For further information on the impact resulting from the initial application of IFRS 16, refer to assets, → page 38, and the Notes to the Consolidated Financial Statements, → page 83 ff. ROCE I (return on capital employed before tax) fell from 11.3 percent in the previous year to 8.8 percent in 2019. At 5.6 percent, ROCE II (after tax) was also below the prior-year figure (2018: 8.1 percent).

CALCULATING ROCE I AND II

IN € MILLION

	2019	2018	2017	2016	2015
EBIT	**153.1**	**162.3**	**131.4**	**88.8**	**102.4**
NOPLAT = EBIT – (EBIT x Group tax rate)	**98.5**	**115.6**	**91.7**	**62.4**	**70.0**
Non-current assets	**974.1**	**822.4**	**759.2**	**773.0**	**754.0**
Other long-term financial assets	-94.9	-75.8	-35.6	-24.5	-10.8
Deferred tax liabilities	-36.8	-34.6	-32.5	-30.8	-33.5
Assets used in business	**842.4**	**712.0**	**691.1**	**717.7**	**709.7**
Current assets	**1,222.5**	**1,091.8**	**862.5**	**807.8**	**798.1**
Other short-term financial assets	-23.6	-16.2	-11.3	-2.5	-2.8
Cash and cash equivalents	-46.3	-43.8	-27.3	-17.6	-25.0
Trade payables	-149.9	-212.8	-133.7	-87.6	-80.1
Short-term provisions	-17.6	-15.7	-16.9	-15.7	-13.1
Current tax payable	-19.0	-29.2	-1.0	-1.8	-3.2
Other current non-financial liabilities	-50.1	-47.3	-60.9	-44.7	-53.1
Contract liabilities[1]	-9.4	-6.9	–	–	–
Net working capital in a broader sense	**906.6**	**719.9**	**611.4**	**637.9**	**620.8**
Capital employed	**1,749.0**	**1,431.9**	**1,302.5**	**1,355.6**	**1,330.5**
Average capital employed	1,590.5	1,367.2	1,329.1	1,343.1	1,289.9
Derivation via equity and liabilities					
Equity	1,225.0	1,221.4	1,113.7	1,092.5	1,069.1
Long-term financial borrowings	372.4	214.7	156.1	30.0	124.4
Long-term lease liabilities[1]	66.9	2.6	–	–	–
Provisions for pensions and similar obligations[1]	61.8	52.3	–	–	–
Long-term provisions	7.9	5.9	59.1	54.3	48.2
Short-term borrowings from banks	112.4	33.8	20.3	190.5	99.3
Current portion of long-term borrowings	0.5	–	0.6	2.9	0.4
Short-term lease liabilities[1]	25.2	1.4	–	–	–
Other short-term financial liabilities	41.7	35.6	26.9	30.0	27.7
Other long-term financial assets	-94.9	-75.8	-35.6	-24.5	-10.8
Cash and cash equivalents	-46.3	-43.8	-27.3	-17.6	-25.0
Other short-term financial assets	-23.6	-16.2	-11.3	-2.5	-2.8
Capital employed	**1,749.0**	**1,431.9**	**1,302.5**	**1,355.6**	**1,330.5**
Capital employed as a % of revenue	92.0%	83.7%	84.9%	99.6%	96.7%
Average capital employed as a % of revenue	83.7%	80.0%	86.6%	98.7%	93.8%
ROCE I	**8.8%**	**11.3%**	**10.1%**	**6.6%**	**7.7%**
(EBIT/capital employed)					
ROCE I	**9.6%**	**11.9%**	**9.9%**	**6.6%**	**7.9%**
(EBIT/average capital employed)					
ROCE II	**5.6%**	**8.1%**	**7.0%**	**4.6%**	**5.3%**
(NOPLAT/capital employed)					
ROCE II	**6.2%**	**8.5%**	**6.9%**	**4.6%**	**5.4%**
(NOPLAT/average capital employed)					

[1] As of 2019 shown as a separate line in the balance sheet, the year 2018 was adjusted accordingly.

Assets

- Initial application of IFRS 16 reflected in the balance sheet
- Increase in inventories and trade receivables
- Increase in gearing

In fiscal 2019, the balance sheet total of the Wacker Neuson Group rose 14.8 percent to EUR 2,196.6 million (2018: EUR 1,914.2 million). This rise was mainly due to an increase in property, plant and equipment as well as a rise in inventories and trade receivables.

Non-current assets
At the end of the reporting period, non-current assets increased to EUR 974.1 million (2018: EUR 822.4 million). This was primarily attributable to the rise in property, plant and equipment, which amounted to EUR 400.3 million at December 31 (2018: EUR 294.6 million). The increase was mainly related to the initial application of IFRS 16 and with the first-time recognition of right-of-use assets in the amount of EUR 82.8 million.

Goodwill remained unchanged at EUR 237.8 million (2018: EUR 237.8 million). Other intangible assets amounted to EUR 165.9 million and were thus higher than the previous year (2018: EUR 143.5 million). This was primarily due to an increase in capitalization of research and development activities as well as software.

The Group intensified its financing activities in connection with the strategic development of dealers in North America. As a result of this, other non-current financial assets increased to EUR 94.9 million (2018: EUR 75.8 million). Refer to item 11 in the Notes to the Consolidated Financial Statements for further information.

Current assets
The asset side of the balance sheet was also significantly characterized by the development of current assets, which amounted to EUR 1,222.5 million at the closing date (2018: EUR 1,091.8 million). This rise was primarily due to the increase in inventories and trade receivables (see “Financial position”, → page 35). The Group’s rental equipment amounted to EUR 166.1 million and was thus also higher than the previous year (2018: EUR 149.4 million).

Increase in gearing
The rise in assets fueled an increase in Group gearing. Net financial debt for 2019 increased to EUR 439.0 million (2018: EUR 204.7 million). At the closing date, gearing thus amounted to 35.8 percent (2018: 16.8 percent). The definition of net financial debt as applied by Wacker Neuson SE does not include leasing liabilities in accordance with IFRS 16.

Non-current liabilities
Non-current liabilities increased to EUR 545.8 million in 2019 (2018: EUR 310.1 million). The placement of a promissory note (Schuldschein) in the amount of EUR 150 million caused the long-term financial borrowings to rise to EUR 372.4 million (2018: EUR 214.7 million). Long-term leasing liabilities also rose to EUR 66.9 million as a result of the first-time recognition of IFRS 16 (2018: EUR 2.6 million). Provisions for pensions and similar obligations amounted to EUR 61.8 million on the closing date (2018: EUR 52.3 million). Refer to item 19 in the Notes to the Consolidated Financial Statements for further information on provisions for pensions. Deferred tax liabilities amounted to EUR 36.8 million at December 31, 2019 (2018: EUR 34.6 million).

Current liabilities
Total current liabilities increased to EUR 425.8 million at December 31, 2019 (2018: EUR 382.7 million). This rise was fueled on the one hand by an increase in short-term liabilities to financial institutions to EUR 112.4 million (2018: EUR 33.8 million), and, on the other, by the initial application of IFRS 16, which resulted in a rise of short-term leasing liabilities. At the close of the year, short-term leasing liabilities amounted to EUR 25.2 million (2018: EUR 1.4 million). In contrast, trade payables decreased to EUR 149.9 million (2018: EUR 212.8 million). This was primarily attributable to a drop in purchasing volume related to lower production levels in the second half of the year. In the previous year, this figure was also bolstered by EUR 25 million due to a buildup of pre-buy engine stocks.

At December 31, 2019, 43.8 percent of liabilities were current (2018: 55.2 percent) and 56.2 percent were non-current (2018: 44.8 percent).

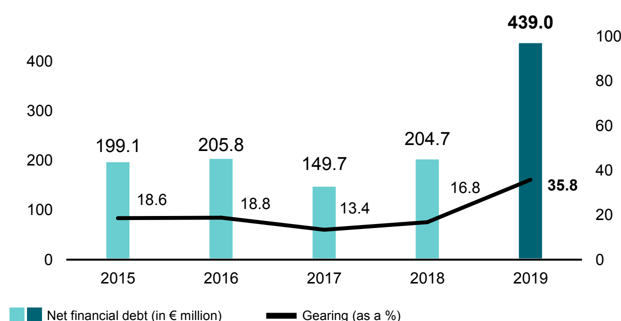
Equity ratio below previous year’s level
Group equity rose to EUR 1,225.0 million during the period under review (2018: EUR 1,221.4 million). Due to the rise in liabilities described above, however, the equity ratio decreased to 55.8 percent (2018: 63.8 percent). The company’s share capital remained unchanged at EUR 70.14 million. Adjusted to discount the effects of the initial application of IFRS 16, the equity ratio amounted to 58.0 percent.

Financial structure
Refer to “Financial liabilities”, item 21 in the Notes to the Consolidated Financial Statements, for information on the financial structure and terms.

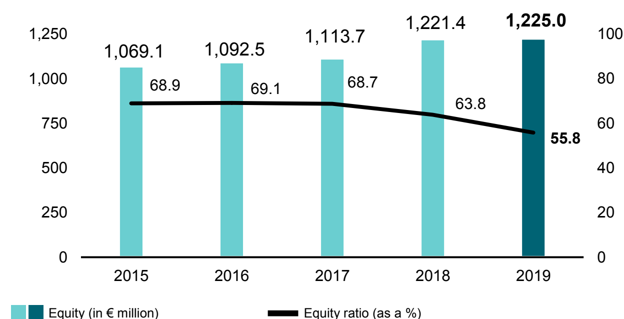
NET FINANCIAL DEBT
IN € MILLION

	2019	2018	2017	2016	2015
Long-term financial borrowings	-372.4	-214.7	-156.1	-30.0	-124.4
Short-term liabilities to financial institutions	-112.4	-33.8	-20.3	-190.5	-99.3
Current portion of long-term borrowings	-0.5	–	-0.6	-2.9	-0.4
Cash and cash equivalents	46.3	43.8	27.3	17.6	25.0
Net financial debt	**-439.0**	**-204.7**	**-149.7**	**-205.8**	**-199.1**

NET FINANCIAL DEBT AND GEARING 2015 – 2019
IN € MILLION AS A %



EQUITY AND EQUITY RATIO 2015 – 2019
IN € MILLION AS A %



Net financial debt increased to EUR 439.0 million in 2019 (2018: EUR 204.7 million). This was primarily attributable to a rise in net working capital and the dividend payout, which also included an additional special dividend. At the closing date, gearing thus amounted to 35.8 percent (2018: 16.8 percent) and the equity ratio to 55.8 percent (2018: 63.8 percent).

Off-balance-sheet assets and financial instruments
In addition to the assets shown in the consolidated balance sheet, the Group also makes limited use of assets not recognized in the balance sheet. This generally refers to leased assets that are not capitalized in the balance sheet of the lessee due to the short-term nature of the lease or the low carrying amount as per IFRS 16. In connection with factoring, certain receivables are completely derecognized in line with IFRS 9 and only recognized to the extent of the company's continuing involvement in the financial asset.

Judgments and estimates
Information about the use of estimates, assumptions and judgments made – especially in connection with the valuation of property, plant and equipment, intangible assets, goodwill, and expenses relating to R&D and shareholdings – with regard to receivables, pension liabilities, provisions, contingencies and information about tax expenses is presented in the Notes to the Consolidated Financial Statements under "Material discretionary decisions, estimates and assumptions". → Page 98

Developments in Q4 2019 (unaudited)[1]

Group revenue for the fourth quarter of 2019 amounted to EUR 483.2 million (Q4/2018: EUR 469.1 million). This represents an increase of 3.0 percent. The prior-year quarter saw the Group report its strongest ever revenue figures for an individual quarter.

Gross profit amounted to EUR 110.1 million (Q4/2018: EUR 119.4 million). This corresponds to a gross profit margin of 22.8 percent (Q4/2018: 25.5 percent). Profit before interest and tax (EBIT) amounted to EUR 28.4 million and was thus significantly lower than the previous year (Q4/2018: EUR 41.9 million). The EBIT margin decreased to 5.9 percent (Q4/2018: 8.9 percent).

In order to streamline inventory, the Group sold off extensive volumes of new equipment in North America in particular. This had a dampening effect on profit. In light of the current high levels of inventory across the Group and the increasingly challenging market environment, Wacker Neuson was also forced to cut back its production program in the second half of the year. This further impacted profit in the fourth quarter. It also led to extended vacation-related shutdowns in December. Profitability was further impacted by an unfavorable product mix.

Profit for Q4 amounted to EUR 8.4 million (Q4/2018: EUR 22.6 million).

Regional developments (unaudited)
Revenue for Q4 in Europe increased 1.9 percent to EUR 349.1 million compared with the strong baseline for comparison from the previous year (Q4/2018: EUR 342.7 million). EBIT amounted to EUR 21.5 million (Q4/2018: EUR 40.6 million). This figure includes revenue generated with the Group brands Weidemann and Kramer in the European agricultural market. This amounted to EUR 85.4 million in the final quarter of the year (Q4/2018: EUR 81.7 million), which corresponds to a rise of 4.5 percent.

A significant increase of 13.1 percent was recorded for revenue in the Americas, giving a total of EUR 115.1 million (Q4/2018: EUR

[1] The Group is not obliged to report separately on Q4 business developments as part of its Consolidated Management Report. This section has not been audited by the auditors.

101.8 million). This was attributable to, among other factors, the selling off of equipment to reduce inventory levels. Profit before interest and tax (EBIT), amounted to EUR -6.8 million (Q4/2018: EUR -4.5 million).

Revenue for Asia-Pacific decreased 22.8 percent to EUR 19.0 million in the fourth quarter against the backdrop of challenging market conditions (Q4/2018: EUR 24.6 million). Segment profit before interest and tax (EBIT) amounted to EUR 0.5 million (Q4/2018: EUR -1.5 million). This figure includes a one-off effect from government subsidies that the Group received for its plant in China, which was opened in 2018.

For further information, refer to “Segment reporting by region”. → Page 44

DEVELOPMENT IN Q4 (UNAUDITED)

IN € MILLION

	Q4/2019	Q4/2018
Indicator		
Revenue	483.2	469.1
Gross profit	110.1	119.4
Gross profit margin as a %	22.8	25.5
EBIT	28.4	41.9
EBIT margin as a %	5.9	8.9
Profit for the period	8.4	22.6
EPS (in €)	0.12	0.32
Revenue according to region		
Europe	349.1	342.7
Americas	115.1	101.8
Asia-Pacific	19.0	24.6
EBIT according to region[1]		
Europe	21.5	40.6
Americas	-6.8	-4.5
Asia-Pacific	0.5	-1.5
Revenue according to business segment[2]		
Light equipment	111.1	117.2
Compact equipment	266.4	256.7
Services	110.1	100.2
Cash flow		
Changes in net working capital	78.6	-5.9
Cash flow from operating activities	122.3	10.3
Cash flow from investment activities	-35.3	-19.4
Investments (property, plant and equipment and intangible assets)	-36.5	-28.1
Free cash flow	87.0	-9.1
Cash flow from financing activities	-64.0	-0.6

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

Segment reporting by business segment (unaudited)

Revenue generated by light equipment declined 5.2 percent in the fourth quarter to EUR 111.1 million (Q4/2018: EUR 117.2 million).[1] Compact equipment revenue grew 3.8 percent to EUR 266.4 million (Q4/2018: EUR 256.7 million).[1] This figure includes the Group’s business with agricultural equipment.

The Services business segment developed positively in the fourth quarter. Revenue for this segment increased 9.9 percent to EUR 110.1 million (Q4/2018: EUR 100.2 million).[1]

[1] Before cash discounts.

For further information, refer to “Segment reporting by business segment”. → Page 47

Turnaround in free cash flow in the fourth quarter (unaudited)

As a result of the reduction in inventory, a drop in trade receivables and the subsequent reduction in net working capital, free cash flow for the fourth quarter was positive and amounted to EUR 87.0 million (Q4/2018: EUR -9.1 million).

General overview of economic situation

The Group achieved double-digit revenue growth in fiscal 2019. It benefited here from high levels of product acceptance and an overall positive market environment in the construction and agricultural sectors. Business activity was clearly bolstered in all regions and business segments under review.

Group profit, however, declined. This was attributable to a number of factors including rework activities in connection with the Group’s efforts to complete unfinished machines as well as restructuring costs in North America, cutbacks to the production program in the second half of the year and the selling off of new equipment related to the planned reduction in inventory levels.

With an equity ratio of 55.8 percent (2018: 63.8 percent) and gearing of 35.8 percent (2018: 16.8 percent), the Executive Board is confident that the Group remains on a sound financial footing. In light of its secure liquidity situation, the Group was able to meet all of its financial obligations in 2019. The turnaround in the development of free cash flow in the fourth quarter improved the Group’s ability to finance its own activities.

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

The Annual Financial Statements of Wacker Neuson SE have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (Aktiengesetz). The income statement is prepared according to the cost-of-sales method. For the 2019 fiscal year, the Management Report of Wacker Neuson SE has been combined with the Group Management Report.

The Annual Financial Statements describe the results of business activities conducted by Wacker Neuson SE during fiscal 2019. Here it should be noted that the company has been operating as a management and holding company since fiscal 2011. Following the reorganization of Group members based in Munich, additional Group services were bundled at Wacker Neuson SE from 2018 onwards. In particular, this included the areas of marketing, human resources, IT, financial services, corporate real-estate management and procurement. As a result of this reorganization, 180 employees were transferred to Wacker Neuson SE in 2018. The company's business activities were expanded to include these services.

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

The central Group functions based in Munich are allocated to Group-wide and/or non-transferable contractual relationships and other legal relationships, receivables and payables of Wacker Neuson SE. The holding is responsible for strategic functions of Group management. The Group Executive Board plus the following central, Group-wide departments are vested with the holding company: Group controlling, Group accounting, Group treasury, legal (including patent management), internal auditing, compliance, real-estate, strategy, mergers and acquisitions, investor relations, sustainability, corporate communication, corporate IT, corporate marketing, corporate supply chain, sales development and management, sales financing, corporate taxes and corporate human resources. The company employed 230 people on average in fiscal 2019 (2018: 228).

In its capacity as a management and functional holding, the company also delivers administrative, financial, commercial and technical services for the holding entities, for which they are charged accordingly. Some of these service contracts are reciprocal agreements.

Revenue for 2019 amounted to EUR 42.3 million (2018: EUR 46.9 million). This was generated through the provision of services by Wacker Neuson SE to its affiliates. The decline is attributable to a decrease in intragroup marketing and IT expenses passed on with a margin. The services delivered mainly refer to IT (EUR 15.0 million), management (EUR 14.4 million), marketing (EUR 4.2 million), the Wacker Neuson Training Center (EUR 2.7 million) as well as other sales and administration services (EUR 4.4 million). The figure also includes rental income from the letting of premises in Munich to the affiliates based there and to an external tenant (EUR 1.6 million).

Breaking revenue down by region, EUR 36.2 million can be attributed to Europe (2018: EUR 42.2 million), EUR 5.5 million to the Americas (2018: EUR 4.5 million) and EUR 0.6 million to Asia-Pacific (2018: EUR 0.2 million).

Cost of sales amounted to EUR 39.9 million (2018: EUR 44.3 million) and gross profit came to EUR 2.4 million (2018: EUR 2.6 million).

INCOME STATEMENT FOR WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	2019	2018
Revenue	42.3	46.9
Cost of sales	-39.9	-44.3
Gross profit	**2.4**	**2.6**
General and administrative expenses	-48.7	-28.1
Other income	24.1	21.5
Other expenses	-7.2	-9.2
Income from participating interests	69.7	161.9
Income from profit transfer agreements	41.9	38.3
EBIT	**82.2**	**187.0**
Interest and similar income	23.4	15.8
Write-ups on financial assets	3.9	–
Write-downs on financial assets	-24.1	-8.1
Interest and similar expenses	-8.2	-5.9
Taxes on income and earnings	-14.0	-19.1
Profit after tax	**63.2**	**169.7**
Other taxes	-0.1	-0.1
Net profit/loss	**63.1**	**169.6**
Profit/loss carried forward	179.2	86.7
Retained earnings	**242.3**	**256.3**

General administrative expenses amounted to EUR 48.7 million in fiscal 2019 (2018: EUR 28.1 million). This sharp rise relative to the previous year is mainly attributable to higher value adjustments with respect to affiliates from EUR 8.0 million in 2018 to EUR 14.1 million in 2019, in addition to higher costs in relation to IT and marketing services rendered by affiliates as well as higher trade fair costs.

Other income came to EUR 24.1 million (2018: EUR 21.5 million). This figure primarily includes income from allocations from IT and marketing services rendered by affiliates in the amount of EUR 16.7 million (2018: EUR 6.8 million), foreign exchange gains in the amount of EUR 5.1 million (2018: EUR 11.1 million), income from the appreciation of value-adjusted receivables amounting to EUR 1.1 million (2018: EUR 0.0 million), gains from the disposal of assets with a value of EUR 0.0 million (2018: EUR 0.3 million) as well as income from the release of provisions from the previous year amounting to EUR 0.4 million (2018: EUR 0.1 million). The rise in income from allocations resulting from services rendered by affiliates in the fields of IT and marketing stems primarily from the increased profit-neutral transfer of IT and marketing allocations from affiliates as well as trade fair costs in relation to a large-scale trade fair which occurs every 3 years. Other expenses amounted to EUR 7.2 million in fiscal 2019 (2018: EUR 9.2 million).

This figure mainly comprises foreign exchange losses in the amount of EUR 6.6 million, which were lower than in the previous year.

The dividend payment made by Wacker Neuson SE to its shareholders is dependent on the performance of its holding entities and the profit that they yield. In 2019, Wacker Neuson SE received EUR 69.7 million in dividends from the Group (2018: EUR 161.9 million). This reduction is attributable to the fact that in the previous year, dividend payments from one subgroup were deferred to another period.

Income from shareholdings in companies (dividends plus proceeds from the profit transfer agreement) amounted to EUR 111.6 million

(2018: EUR 200.2 million). The income from the profit transfer agreement stems from an agreement concluded with affiliates.

Fundamentally, other interest and similar income have increased proportionally to the receivables to affiliated companies.

Wacker Neuson SE realized profit before interest and tax (EBIT) of EUR 82.2 million (2018: EUR 187.0 million). Income after tax came to EUR 63.2 million (2018: EUR 169.7 million). This resulted in profit for the period of EUR 63.1 million (2018: EUR 169.6 million).

Assets and financials

Group software licenses, primarily for the ERP (Enterprise Resource Planning) system as well as for the operating systems and office applications deployed across the Group are capitalized at Wacker Neuson SE. The holding company provides Group members with these licenses in return for a fee. Wacker Neuson SE reported intangible assets of EUR 16.6 million at December 31, 2019 for licenses and similar rights (2018: EUR 15.6 million).

The property held by Wacker Neuson SE refers to the site of the Group headquarters in Milbertshofen, Munich (Germany). Wacker Neuson SE reported property, plant and equipment in the amount of EUR 29.5 million at December 31, 2019 (2018: EUR 30.6 million).

Financial assets are comprised of holdings in Group members amounting to EUR 619.0 million (2018: EUR 621.3 million), loans to affiliated companies in the amount of EUR 76.4 million (2018: EUR 53.1 million) and shareholdings amounting to EUR 3.0 million (2018: EUR 3.0 million). The change in the holdings in affiliated companies resulted, on the one hand, from capital increases of EUR 12.9 million (2018: EUR 10.1 million), and on the other hand from an impairment loss in line with Section 253 (3) sentence 4 HGB in the amount of EUR 19.1 million (2018: EUR 8.1 million) as well as write-ups in the amount of EUR 3.9 million (2018: EUR 0.0 million). The increase in loans is attributable to new loans that were extended in the amount of EUR 31.0 million, repayment of existing loans in the amount of EUR 2.7 million and an unscheduled write-off in the amount of EUR 5.0 million in line with section 253 (3) sentence 4 HGB.

Total assets attributable to Wacker Neuson SE amounted to EUR 744.5 million at the closing date (2018: EUR 723.6 million).

Trade receivables due from customers and sales partners within Germany and beyond also accrue almost entirely to the operational companies. Receivables from affiliated companies rose to EUR 584.3 million following the extension of short-term loans (2018: EUR 409.2 million). Wacker Neuson SE receivables are mainly related to its shareholdings in Group members, in particular resulting from short-term borrowings and receivables within the framework of the cash pool. Wacker Neuson SE reported liquid funds of EUR 138.5 million at December 31, 2019 (2018: EUR 111.6 million).

Total current assets amounted to EUR 725.1 million at the closing date (2018: EUR 523.3 million). The balance sheet total came to EUR 1,475.6 million (2018: EUR 1,252.8 million).

At December 31, 2019, the company's equity amounted to EUR 979.2 million (2018: EUR 993.3 million). Wacker Neuson SE's share capital remained stable at EUR 70.14 million. This refers to 70,140,000 registered shares, each representing a proportionate amount of the share capital of EUR 1.00.

BALANCE SHEET OF WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Intangible assets	16.6	15.6
of which: licenses for industrial property rights and similar	11.7	10.2
of which: payments on account/assets	4.9	5.4
Property, plant and equipment	29.5	30.6
of which: land, land titles and buildings on third-party land	27.6	28.8
of which: office and other equipment	1.9	1.8
Financial assets	698.4	677.4
of which: shareholdings in affiliated companies	619.0	621.3
of which: loans to affiliated companies	76.4	53.1
of which: interests	3.0	3.0
Assets	**744.5**	**723.6**
Trade receivables	0.1	0.2
Receivables from affiliated companies	584.3	409.2
Other assets	2.2	2.3
Liquid funds	138.5	111.6
Current assets	**725.1**	**523.3**
Deferred items	**2.1**	**3.3**
Deferred tax assets	3.9	2.6
Balance sheet total (assets)	**1,475.6**	**1,252.8**
Equity	**979.2**	**993.3**
of which: subscribed capital	70.1	70.1
of which: capital reserves	584.0	584.0
of which: revenue reserves	82.8	82.8
of which: retained earnings	242.3	256.4
Special tax-free reserves	**–**	**–**
Other provisions	**32.9**	**38.0**
Liabilities	**463.5**	**221.5**
of which: borrowings from banks	446.0	191.8
of which: trade payables	4.2	4.8
of which: payables to affiliated companies	8.7	20.2
of which: other liabilities	4.6	4.7
Deferred items	**–**	**–**
Deferred tax liability	–	–
Balance sheet total (liabilities)	**1,475.6**	**1,252.8**

Other provisions amounted to EUR 32.9 million (2018: EUR 38.0 million). This change compared to the previous year is mainly attributable to lower tax provisions (EUR -6.4 million), an increase in other provisions (EUR +0.7 million) and higher pension liabilities (EUR +0.6 million). The change in tax provisions in 2019 is primarily attributable to a lower tax burden for 2019 accompanied by an increase in advance payments for the current year.

DIVIDEND TRENDS

	2020	2019	2018	2017	2016
Eligible shares (million)	70.14	70.14	70.14	70.14	70,14
Dividend per share in €[1] (in brackets: special dividend)[2]	0.60	0.60 (0.50)	0.60	0.50	0,50
Total payout € million	42.08	77.15	42.08	35.07	35.07
Payout ratio as a % of Group profit for previous years	47.6	53.4	61.7	61.7	53.0

[1] At the AGM on May 27, 2020, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2019.
[2] For fiscal year 2018, in addition to a dividend of EUR 0.60 per share, a special dividend of EUR 0.50 per share was distributed in connection with the extraordinary income from the sale of a Group real-estate company.

Wacker Neuson SE also has external financial liabilities as a result of the cash pools and other financing agreements with Group companies. These liabilities are managed by the holding's corporate treasury department, which is the central instance responsible for securing and managing liquidity across the Group. Borrowings from banks increased to EUR 446.0 million (2018: EUR 191.8 million). This was primarily attributable to the issuance of a new promissory note (Schuldschein) in the amount of EUR 150.0 million as well as the increase of other short-term borrowings from banks of approximately EUR 134 million. Conversely, the repayment of a promissory note (Schuldschein) of EUR 30.0 million has been noted. Wacker Neuson SE includes trade payables and current liabilities from the cash pool in payables to affiliated companies. At the closing date, payables to affiliated companies amounted to EUR 8.7 million (2018: EUR 20.2 million). This decrease was mainly attributable to the repayment of two loans to affiliates in the amount of EUR 11.8 million.

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

Dividend proposal

At the AGM on May 27, 2020, the Executive Board and the Supervisory Board will propose a dividend payout of EUR 0.60 per share for fiscal 2019.

Annual Financial Statements of Wacker Neuson SE in full

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

Guidance for Wacker Neuson SE

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

Statement from the Executive Board pursuant to Section 312 AktG

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

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

The Executive Board

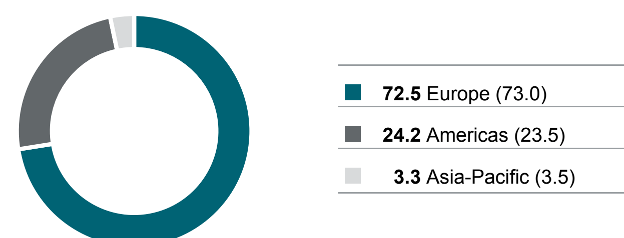
Segment reporting by region

- Revenue growth in all reporting regions
- Profit in North America impacted by restructuring
- Intense competition in Asia-Pacific

With its broad portfolio of hand-operated light equipment, compact equipment with operating weights of up to 15 tons and end-to-end services, the Wacker Neuson Group serves end customers as well as dealers, rental companies and importers worldwide. Segment reporting provides an overview of business developments according to region (Europe, Americas and Asia-Pacific). These geographical segments form the basis for corporate governance.

2019 REVENUE DISTRIBUTION BY REGION

AS A % (PREVIOUS YEAR)



Europe

Marked growth in revenue

In fiscal 2019, the Group was able to further increase revenue in the Europe region, reporting a 10.4 percent rise to reach EUR 1,379.0 million (2018: EUR 1,248.9 million). When adjusted for currency effects, this corresponds to an increase of 10.3 percent. The Europe region continues to account by a clear margin for the lion's share of Group revenue at 72.5 percent (2018: 73.0 percent).

Once again, Germany accounted for the largest share of revenue generated in the region. Here, the Group has a dense network of branch offices that includes more than 60 of its own sales and service stations, flanked by a dealer organization and independent dealer networks for the Weidemann and Kramer brands. Bolstered by a solid domestic construction industry, the Group reported significant gains here in 2019.

This trend was reflected across the region with the broad majority of European countries contributing to this revenue growth. In particular France, Austria, Italy, Spain, Poland, the Benelux countries, Finland and the Czech Republic played a contributory role. In England, the Group reported significant double-digit gains against the backdrop of a challenging market environment and was able to win market shares with its new Dual View dumper (refer to "New products and innovations in 2019" → page 51). The situation in Turkey remained challenging.

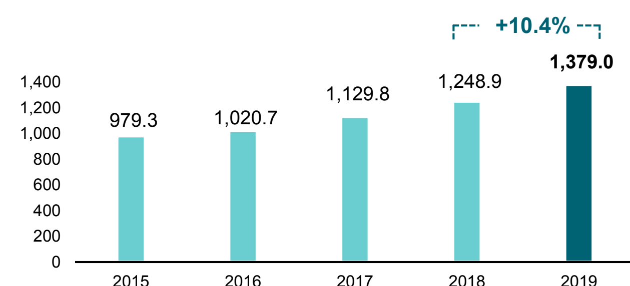
The Group was able to further expand its business in the European agricultural sector in 2019. Revenue generated by the Group brand Weidemann grew markedly and the partnership between Group affiliate Kramer and US agricultural equipment manufacturer John Deere, which started back in 2017, continued to develop positively. In total, revenue from the agricultural sector grew 21.2 percent to EUR 310.2 million (2018: EUR 256.0 million).

The Group also benefited from strong demand from key accounts. The services business segment, which includes the Group's activities in the maintenance, repair, spare parts and flexible rental business fields, also developed positively and contributed to growth across the region.

Before consolidation, profit before interest and tax (EBIT) for the region fell 8.0 percent to EUR 161.5 million (2018: EUR 175.6 million). This change is attributable to a number of factors including greater difficulty in recouping costs at production plants due to cutbacks to the production program in the second half of the year.

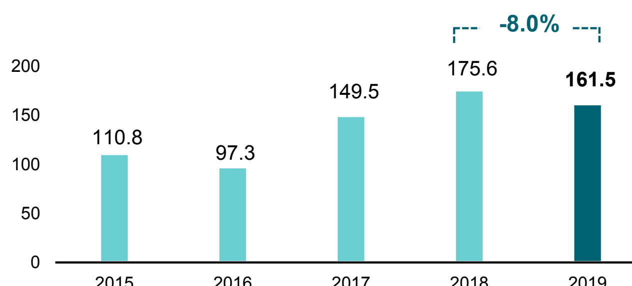
REVENUE DEVELOPMENT IN EUROPE[1]

IN € MILLION



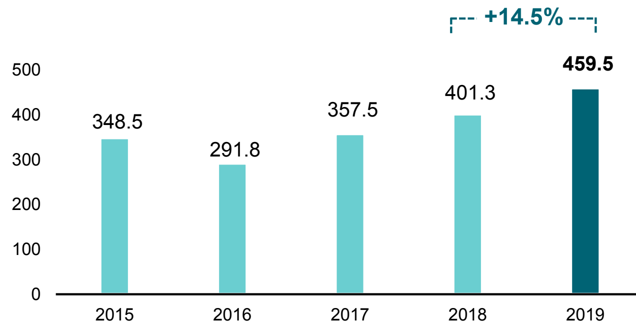
EBIT DEVELOPMENT IN EUROPE[1, 2, 3]

IN € MILLION

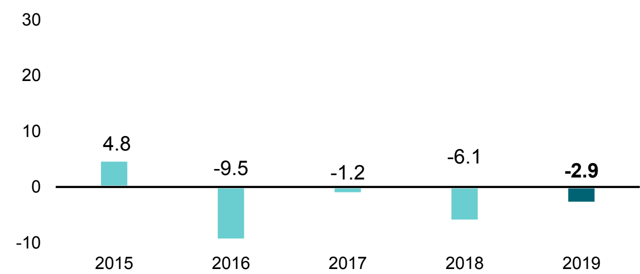


[1] Including South Africa, Turkey and Russia. The Wacker Neuson Group reports these countries in its Europe segment even though – geographically speaking – they are located outside of the region.
[2] Before consolidation.
[3] In fiscal 2019, expenses for service technicians are reported under cost of sales (previously: personnel costs were reported under cost of sales while expenses for pro-rata material costs were reported under sales and service expenses). There has also been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. Refer to "Changes to accounting and valuation methods and adjustments to accounting estimates" in the Notes to the Consolidated Financial Statements for further information. Figures for 2018 have been adjusted accordingly.

REVENUE DEVELOPMENT IN THE AMERICAS
IN € MILLION



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



[1] Before consolidation.
[2] In fiscal 2019, expenses for service technicians are reported under cost of sales (previously: personnel costs were reported under cost of sales while expenses for pro-rata material costs were reported under sales and service expenses). There has also been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. Refer to “Changes to accounting and valuation methods and adjustments to accounting estimates” in the Notes to the Consolidated Financial Statements for further information. Figures for 2018 have been adjusted accordingly.

Americas

Negative impacts on profit despite strong revenue growth
Revenue for the Americas region for the period under review rose 14.5 percent to EUR 459.5 million (2018: EUR 401.3 million). The Group benefited here from a more favorable currency situation than the previous year. The average EUR/USD exchange rate in 2019 was EUR 1 to USD 1.12 (2018: EUR 1 to USD 1.18). When adjusted for currency effects, revenue for the year rose 9.1 percent.

Group business was bolstered here in particular by strong demand for worksite technology products, including generators and light towers. Sales of skid steer loaders manufactured in the US also increased as a result of improved market penetration. Developed specifically for the North American market, these machines are an essential success factor in Wacker Neuson’s bid to win new dealers and rental chains. Sales of other compact equipment including excavators, dumpers and telescopic handlers also increased alongside skid steer loaders. These products are imported from European production facilities.

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

The region’s share of Group revenue rose to 24.2 percent (2018: 23.5 percent). As in previous years, the USA accounted for the larger share of revenue in the Americas region. However, the Group also reported double-digit gains in South America, where it distributes products via its own sales affiliates in Peru, Chile, Brazil and Mexico and through collaboration with importers.

As in 2018, the Group carried out extensive restructuring measures at its North American plant in Menomonee Falls in 2019 (refer to “Production and logistics” → page 52). One such measure included significantly reducing the degree of vertical integration. In line with Strategy 2022, the Group aims to strengthen its focus on core products. It took an important step here in 2019 by selling its trowel business, which was primarily concentrated in the US (refer to “Production and logistics” → page 52). The Group will continue to include trowels in its portfolio in 2020 as part of an OEM collaboration with Husqvarna. In addition, it will offer spare parts and services to customers.

In line with its efforts to focus more strongly on the core markets of Europe, North America and, in the future, China, the Group also closed its production facility in Itatiba, Brazil, in the first half of 2019. This plant focused primarily on the assembly of mobile generators for the rental market in South America.

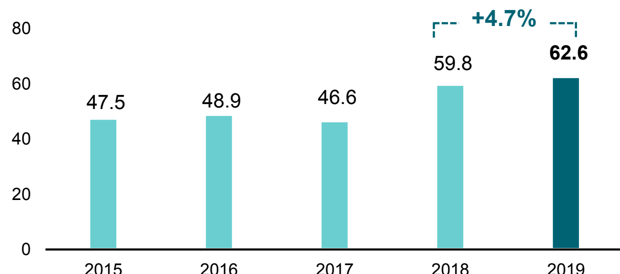
Profit was impacted by the restructuring of Group companies in North America and initial difficulties in rolling out new processes there. Although EBIT for the region improved to EUR -2.9 million (2018: EUR -6.1 million), this was still below the targets set by the Group. By sharpening its focus, reducing fixed costs and increasing efficiency levels at the plant in Menomonee Falls, the Group aims to achieve positive earnings in the Americas region moving forward.

In 2019, there was a change in the way income from customer financing initiatives is reported. This item is playing an increasingly important role in the Americas region. Interest income accrued through financing is reported under revenue for the year under review. Values for the previous year have been adjusted accordingly.

Refer to “Changes to accounting and valuation methods and adjustments to accounting estimates” in the Notes to the Consolidated Financial Statements for further information.

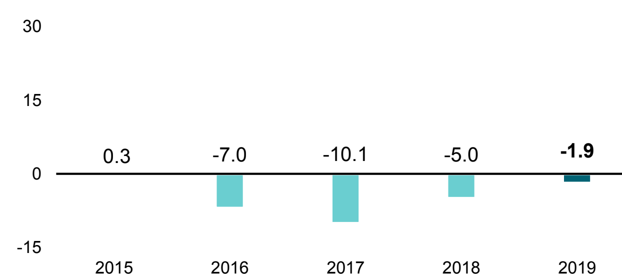
REVENUE DEVELOPMENT IN ASIA-PACIFIC

IN € MILLION



EBIT DEVELOPMENT IN ASIA-PACIFIC[1, 2]

IN € MILLION



[1] Before consolidation.

[2] In fiscal 2019, expenses for service technicians are reported under cost of sales (previously: personnel costs were reported under cost of sales while expenses for pro-rata material costs were reported under sales and service expenses). There has also been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. Refer to “Changes to accounting and valuation methods and adjustments to accounting estimates” in the Notes to the Consolidated Financial Statements for further information. Figures for 2018 have been adjusted accordingly.

Asia-Pacific

Increased pressure on prices in China and Australia

Compared with the previous year, revenue in Asia-Pacific rose 4.7 percent to EUR 62.6 million in both nominal and real terms (2018: EUR 59.8 million). The region’s share of Group revenue amounted to 3.3 percent (2018: 3.5 percent).

As in the previous year, China and Australia were the Group’s largest markets in this region. However, Wacker Neuson faced increased price pressure in both of these markets. Nevertheless, EBIT for the region improved on the previous year at EUR -1.9 million (2018: EUR -5.0 million). This improvement is primarily attributable to a positive effect from the resolution of a legal dispute and government subsidies that the Group received for its production plant in China. In 2018, Wacker Neuson opened a production facility for light and compact equipment in the city of Pinghu, near Shanghai. The Group ramped up production here in 2019 and expanded the range of products manufactured at the site.

OEM partnership with John Deere covering mini and compact excavators

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

The Group started an OEM alliance with the construction equipment division of John Deere in 2018. Under the terms of this agreement, Wacker Neuson supplies machines in the 1.7- to 7.5-ton classes that are designed specifically for the requirements of Asian markets. The majority of machines are manufactured at the Chinese factory in Pinghu and distributed under the “Deere” brand via the John Deere dealer network. The first machines were handed over to John Deere at the start of 2019.

Refer to “Strategic alliances” for further information on the Group’s collaborations. → Page 27 ff.

Segment reporting by business segment

- Compact equipment remains main growth driver
- Group again reports above-average growth in agricultural equipment
- Services segment is an increasingly important complement to the new equipment business

In addition to geographical segmentation, which is relevant for corporate governance, the Group also breaks revenue down according to business segment (light equipment, compact equipment and services).

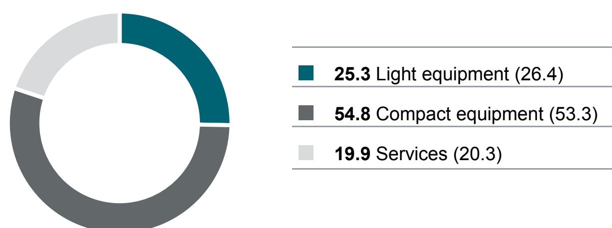
Light equipment

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

Light equipment is manufactured in Germany, the US and, since 2018, also in China.

The Group distributes a range of light equipment products tailored to local markets in Asia and other emerging economies such as South America and Africa (Value Line). Since the middle of 2018, these machines have primarily been manufactured at the new Chinese plant in Pinghu.

REVENUE DISTRIBUTION 2019 BY BUSINESS SEGMENT[1]
AS A % (PREVIOUS YEAR)



25.3	Light equipment (26.4)
54.8	Compact equipment (53.3)
19.9	Services (20.3)

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

Wacker Neuson was able to report yet another increase in light equipment revenue in 2019. Revenue from compaction and worksite technology equipment developed particularly positively. Aside from favorable developments in the European market, this increase was fueled by high demand in North America.

Concrete technology equipment was the only area to report a slight drop in revenue compared with the previous year.

Total revenue in this segment increased by 6.5 percent in the period under review to EUR 485.3 million (2018: EUR 455.7 million).[1] Adjusted for currency effects, revenue rose 3.6 percent. Due to stronger growth in the compact equipment segment, the light equipment segment's share of Group revenue fell slightly to 25.3 percent (2018: 26.4 percent).

Compact equipment

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

Development of the compact business is aligned with the growing importance of financing solutions among customers. The Wacker Neuson Group is extending its offering here to more international markets and collaborating with strong, independent financing partners.

A high level of product acceptance, measures to increase market penetration and the international expansion of the existing sales network fueled a rise in revenue in all regions under review. Revenue increased relative to the previous year by 14.3 percent to EUR 1,052.8 million (2018: EUR 920.9 million).[1] Adjusted for currency effects, revenue grew by 13.6 percent. As a result, this segment's share of total revenue increased slightly to 54.8 percent (2018: 53.3 percent). As such, the Group has more than compensated for the drop in deliveries of OEM machines to Caterpillar (refer to "Strategic alliances" for further information → page 27 ff.). The Group reported strong gains with a number of products including dumpers. Wacker Neuson won market shares with its Dual View technology in England in particular. North America is a comparatively young market for the Wacker Neuson Group's compact equipment offering. In line with its dealer strategy, the Group was able to further strengthen its business in this region with skid steer loaders produced in the US. Sales of equipment imported from Europe, including excavators, dumpers and telescopic handlers, also rose markedly.

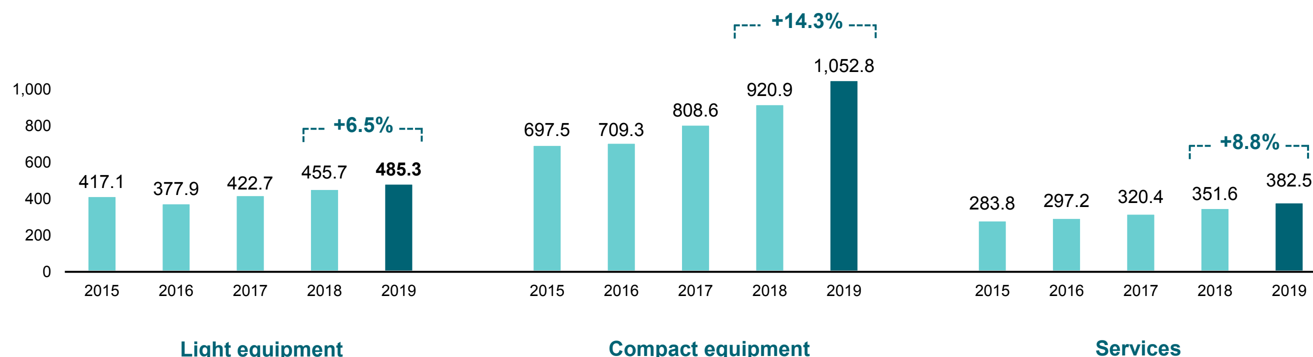
The Group reported above-par growth in the compact equipment segment with wheel loaders, tele wheel loaders and telescopic handlers for the European agricultural sector. Revenue from Kramer- and Weidemann-branded products rose here by 21.2 percent to reach EUR 310.2 million (2018: EUR 256.0 million). Agricultural compact equipment's share of Group revenue[1] thus rose by 1.4 percentage points to 16.2 percent (2018: 14.8 percent).

The agricultural sector is becoming an ever more important target market for compact equipment for the Group. Increasingly, global competition in the agricultural market means that landholders have to make investments to raise the efficiency of their operations.

[1] Before cash discounts.

DEVELOPMENT BY BUSINESS SEGMENT 2015 – 2019[1]

IN € MILLION



[1] Revenue before cash discounts.

Whereas Weidemann already has a dense network of dealers, particularly in Central Europe, Kramer's agricultural sales network is still at the build-out stage. In 2017, Kramer entered into a partnership with US-based John Deere to support expansion. This strategic alliance covers the distribution of wheel loaders, telescopic wheel loaders and telescopic handlers for the agricultural sector. Featuring the Kramer design and brand, the machines are initially being distributed via the John Deere dealer network in Europe. The collaboration got off to a successful start in 2017 and has developed positively since then. Kramer was able to get numerous dealers on board in 2019 in Central, Eastern and Southern European markets as well as Scandinavia. This year, Kramer will be intensifying its efforts in Eastern Europe. In the first quarter of the year, for example, the company will be entering the Russian market (refer to "Strategic alliances" for further information → page 27 ff.).

REVENUE BY BUSINESS SEGMENT

IN € MILLION

	2019	2018	Change
Segment revenue from external customers			
Light equipment	485.3	455.7	6.5%
Compact equipment	1,052.8	920.9	14.3%
Services	382.5	351.6	8.8%
	1,920.6	**1,728.2**	**11.1%**
Less cash discounts	-19.5	-18.2	7.1%
Total	**1,901.1**	**1,710.0**	**11.2%**

Services

Continued growth in the services segment

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

In 2019, revenue[1] in the services segment increased 8.8 percent to EUR 382.5 million (2018: EUR 351.6 million). Adjusted for currency effects, revenue grew by 8.0 percent. The services segment's total share of revenue nevertheless decreased slightly to 19.9 percent due to strong growth in the compact equipment segment in particular (2018: 20.3 percent).

Once again, the traditional repair and service business was an important part of the services segment in 2019. The extensive services portfolio supports the Group's customer-centric strategy, which focuses on guaranteeing maximum product availability for owners and users. Through its WeCare flat-rate service, the Group provides customers with professional maintenance services for their machines delivered by trained employees. The program also includes a rapid, extensive spare parts service with guaranteed parts availability. The Group schedules every step in these maintenance workflows from planning through to execution.

The Group offers its customers a high degree of flexibility through tailored financing options[2] and the Wacker Neuson rental fleet in Central Europe. During periods of peak demand, machines can be made available to customers immediately. In particular, however, the Group's agile service offering also focuses on medium- and longer-term solutions, re-rentals, hire-purchase agreements and a well-varied fleet of relatively new used equipment. Again in 2019, Wacker Neuson's 100-plus European sales and service stations responded with speed and flexibility to customer demand, supplying the right rental equipment, where and when it was needed.

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

The Group is continuing to expand its digital service offering. Trends like digital connectivity to integrate customers into different business processes are key to adding further value to the Group's products.

The EquipCare telematics solution is another development in the Group's digital service offering, bringing a new level of transparency to fleet management. Machines equipped with this technology can

[1] Revenue before cash discounts.

[2] Including in cooperation with third parties.

push messages in real time to the customer's device (desktop, tablet, smartphone) when they require maintenance, experience a malfunction or are unexpectedly moved to a different location. The tool gives customers a comprehensive overview of their machine's status, including location, operating hours, idle time and the service interventions due soon. By streamlining maintenance workflows and minimizing downtime, customers benefit from both time and efficiency gains. For rental chains, the technology brings new opportunities in fleet management and machine monitoring.

The new OnSiteBox digital container solution is designed to increase the short-term availability of machines on construction sites. The containers can be equipped with different machines for rent based on each construction site's needs. Customers can then rent the machines and equipment at short notice around the clock. The "pay-per-use" model means that renters only pay for the actual service duration.

Other factors that impacted on results

RESEARCH AND DEVELOPMENT[1]

	2019	2018	2017	2016	2015
R&D costs (€ million)	36.9	35.9	35.8	34.8	33.6
R&D share (as a % of revenue)	1.9	2.1	2.3	2.6	2.4
Capitalized expenses (€ million)	26.3	18.4	13.4	13.5	11.0
Capitalization ratio as a %	41.6	33.9	27.2	28.0	24.7
Depreciation on capitalized expenses (€ million)	10.7	8.2	8.7	7.7	6.7
R&D costs incl. capitalized expenses (€ million)	63.2	54.3	49.2	48.3	44.6
R&D share incl. capitalized expenses (as a % of revenue)	3.3	3.2	3.2	3.5	3.2

[1] Previous years adapted to current booking basis.

Research and development

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

Research and development underpin long-term success
R&D is a key success factor for the Wacker Neuson Group. In fiscal 2019, the Group filed 32 new patents and utility models around the world (2018: 22), and 26 patents and utility models were granted (2018: 51). In total, the Wacker Neuson Group owns over 255 patents and utility models worldwide. In 2019, research and development costs at EUR 36.9 million exceeded the prior-year level (2018: EUR 35.9 million). In line with new product development projects, the Group also reported higher cost capitalization in the period under review than in the previous year (EUR 26.3 million; 2018: EUR 18.4 million). The R&D ratio (R&D share of total revenue including capitalized expenditure) thus came to 3.3 percent (2018: 3.2 percent).

Around 9 percent of Wacker Neuson Group employees worldwide work in the area of research and development. The R&D payroll mainly consists of mechanical and electrical engineers, technical engineers and other skilled workers. The Group provides suitable ongoing training for these employees to help them master their demanding jobs.

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

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

Product development in tune with regional customer needs
Group strategy envisages even bigger emphasis on developing and manufacturing products “in the region, for the region”. This reflects the Group’s commitment to systematically developing new products in line with the needs and regulations of its target markets. The overarching aim here is to tailor its development activities, delivery conditions and service offering as closely as possible to the concrete requirements of its customers around the globe. The requirements placed on products in terms of features, drive technologies and emissions performance (noise, exhaust gas) vary hugely from region to region. The Group’s development departments around the world are working on concepts that will enable the Group to provide discerning customers with the premium products they expect, and more price-sensitive customers with products suited to their needs.

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

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

Focus on product safety and energy efficiency

Many of its products position the Group as a global technology leader. Its development work is geared in particular towards extending its pioneering position in product safety, operator safety and environmental protection. The aim with light equipment is to create machines that are easy to use and pose no risk to operators. Measures here include reducing hand-arm vibrations, in other words the vibrations that directly affect an operator's body when using vibrating equipment, and reducing noise and emissions produced by combustion engines. Wacker Neuson's introduction of the innovative Dual View wheel dumper in 2019 marked a leap forward in user safety in material handling. The operating and seat console in this machine can be rotated 180 degrees. Unlike conventional dumper models, this ensures that the operator can always drive straight ahead and has a clear view in the direction of travel. The driver can work more efficiently in tight spaces by avoiding time-consuming turning and repositioning maneuvers.

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

The industry as a whole – the Wacker Neuson Group included – is channeling a significant portion of development resources into ensuring compliance with ever-stricter legislation, especially in the area of emissions. Due to implementation of the new EU Stage V emissions regulation, the Group's development activities in 2019 again focused on adapting and further developing the systems and components used in conjunction with engines. Components such as cooling systems and exhaust gas treatment systems have to be modified. The Group is utilizing the two-year transition period set by legislators in order to keep the costs and complexity of this changeover as low as possible and to ensure it can seamlessly transition its product portfolio to the new standard. For detailed information on new exhaust emissions regulations, refer to “General legal framework”. → Page 25

The Group prioritizes its eco-efficiency activities as a key instrument to meet market demand for products that are even more environmentally sound and safe in future. Emissions from the diesel engines fitted in agricultural and construction machinery have already been reduced by over 95 percent over the past 15 years, and the EU Stage V emissions standards that came into force in Europe on January 1, 2019 represent a further step on the road to improving eco-efficiency and reducing emissions. Moving beyond its obligation to continuously adapt and develop its product portfolio in line with ever-stricter legal requirements, Wacker Neuson has made a conscious decision to expand its range of environmentally sound products and services. Electromobility is an integral part of Strategy 2022 and is also hardwired into the Group's technology roadmap for the coming years (refer to “Pioneering role with the zero emission portfolio” → page 51.). The Group is also making progress in its efforts to improve the eco-efficiency of its services. The EquipCare telematics solution, for example, enables operators and machines to communicate automatically, pushing data such as maintenance requirements, malfunctions, operating hours, idle time and the service interventions due in real time to the customer's device (desktop, tablet, smartphone). This allows users to plan maintenance in good time and ensure that machines operate with maximum efficiency in as environmentally friendly a manner as possible. EquipCare also allows customer service technicians to work more closely and thus efficiently with Wacker Neuson's service team.

Pioneering role with the zero emission portfolio

The Wacker Neuson Group is one of the first manufacturers worldwide to offer a broad portfolio of electrically powered compact and light equipment under its three brands. These products operate free of emissions and with greatly reduced noise levels for the benefit of both users and anyone in the vicinity – whether that be residents or passers-by. They also require little to no maintenance and have much lower operating costs. The Group aims to offer an alternative zero emission model in every one of its core product groups in the medium term. In 2019, the zero emission portfolio included rammers and vibratory plates for soil compaction, internal vibrators for concrete compaction, track and wheel dumpers, a hybrid mini excavator and wheel loaders for the construction and agricultural industries. Where possible, the Group prioritizes modular systems. One example is the powerful lithium-ion battery that can be used interchangeably in all rammer and vibratory plate models as well as the internal vibrator. This one battery is compatible with seven different machines. The push button start also ensures extremely straightforward handling and the battery can be changed very easily without tools.

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

New products and innovations in 2019

2019 was a strong year for innovations in the Group. Product development focused on meeting the various needs of customers worldwide in line with country-specific requirements.

Wacker Neuson

In 2019, the Wacker Neuson brand added further battery rammers and battery-powered vibratory plates to its zero emission range. It also unveiled an electric wheel dumper and a portable high-frequency internal vibrator system for concrete compaction. The finishing touches were also made to the first fully electric zero-tail mini excavator. This 1.7-ton excavator will be available on the market in early 2020. To view the full zero emission product range, go to: → www.wackerneuson.com/zeroemission

2019 also saw the introduction of new track and wheel dumper models as replacements for existing products or migrations to the latest engine technologies. The innovative Dual View dumpers, which were made available to select markets in 2018, were rolled out to the entire EMEA region in 2019. The operating and seat console in these machines can be rotated 180 degrees. Unlike conventional dumper models, this ensures that the operator can always drive straight ahead and has a clear view in the direction of travel. Drivers can also work more efficiently by avoiding time-consuming turning and repositioning maneuvers.

In addition, Wacker Neuson added two ultra-light portable frequency converters to its concrete compaction range.

In the portfolio of 4- and 5-ton wheel loaders, the height of the front carriage was reduced to guarantee a better field of vision on worksites. The adjustment means that operators always have a good view of the attachments, which makes them easier to use and change. Also brand new for 2019 was the coupling set for soil compaction, which links together three vibratory plates. An infrared remote control creates a safer environment for the user, protecting them against vibrations, dust and emissions. This is a highly flexible piece of kit for the operator as the coupling set can be separated at any time.

In the area of digitalization, Wacker Neuson launched pilot projects for its innovative rental solution “Wacker Neuson OnSiteBox” at the start of 2019. This mobile container is equipped with a selection of compact and light equipment. Customers can open the box with a chip, take out the machines they want and return them after use. This “pay-per-use” scheme means that renters only pay for the actual service duration. Both the OnSiteBox and the EquipCare telematics offering are smart solutions giving customers a new level of transparency in fleet management. Machines equipped with this technology can push messages in real time to the customer’s device when they require maintenance, experience a malfunction or are unexpectedly moved to a different location. They also provide customers with an overview of operating hours, idle time and service intervals.

Kramer

In 2017/2018, Kramer presented the 8155 wheel loader model for the construction industry and the KL60.8 for agricultural use. These two models opened up a new weight category in the Kramer product portfolio. Complementing this portfolio, the 8145T telescopic wheel loader was unveiled at the bauma 2019 trade fair and emerged as one of the event’s key highlights. The corresponding telescopic wheel loader for the agricultural industry, the KL55.8T, was unveiled at the Agritechnica 2019 agricultural equipment trade show in Hanover. Featuring Kramer’s signature all-wheel-drive technology and operating weights from 9 to 11 tons, these machines were inspired by customer demands for powerful yet extremely efficient equipment. As with all models in the 8 series, they are available with four-wheel drive, crab steering and front axle steering as standard.

One of Kramer’s stand-out innovations in 2019 was the new 5050 wheel loader. This very lightweight machine weighing around 2,650 kg can handle a tipping load of up to 1,700 kg. Ballast weights allow the weight of the machine and/or the tipping load to be adapted depending on the user’s requirements. This flexibility means that the machine can be transported on a 3.5-ton trailer. The product features of the Kramer 5050 coupled with the fact that it can be easily and economically transported make it ideal for use in gardening and landscaping.

Kramer also introduced the EquipCare telematics solution as a digital service in 2019.

Weidemann

The Weidemann brand presented its 9080 wheel loader with its lifting arm at the EuroTier 2018 agricultural trade show in Hanover as the first model in the 11-ton class. In 2019, the 9580T telescopic wheel loader was added to the series. This heavyweight machine class features front articulated steering in combination with a rear swing axle. With this latest addition to the new 90 series, Weidemann is targeting customers with very heavy-duty material handling requirements at large-scale landholdings and biogas plants, for instance. The machines can be equipped with the optional new power drive gear box that delivers more traction and higher speeds than previous solutions yet still retains all the benefits of earlier drive technologies in terms of compact design, energy efficiency and operator ergonomics. The power drive technology enables operators to move through the entire speed range from 0 to 40 km/h without changing gear.

Weidemann also introduced the innovative new Easy Coupler System (ecs) in 2019. Attachments for agricultural loaders and wheel loaders which have a hydraulic additional function require a hydraulic oil supply via the third control circuit. ecs is a fully automatic quick-change device for the third control circuit that provides greater convenience and safety for users. It also allows operators to change attachments in almost no time. Less downtime means more productivity, and the driver can concentrate entirely on their work.

Production and logistics

- Further streamlining the number of international production sites
- Lean management and process improvements
- Focus on digitalization and supply chain management

Streamlining the number of international production sites
In 2019, the Wacker Neuson Group manufactured equipment at a total of eight sites worldwide:

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

As part of its focus on the core markets of Europe, North America and in future China, the Group decided to close its production plant in Itatiba, Brazil, in the first half of 2019. This location mainly assembled mobile generators for the rental market in South America. The previous year had already seen the closure of the Group’s factories in Norton Shores (USA) and Manila (Philippines). Production at those sites was transferred to the existing plants in Menomonee Falls (USA) and Pinghu (China).

In January 2018, the Wacker Neuson Group started operations at a new production plant in China. The site is also home to an R&D center. This move reflects China’s position as a key growth market for the Group. It also underscores Wacker Neuson’s long-term commitment to the Chinese market and strengthens the Group’s ties with partners in the country. In 2019, the Group further ramped up local production output and expanded the location’s portfolio of products.

Extensive restructuring measures were carried out at the US plant in Menomonee Falls in 2019. The product portfolio was streamlined in order to strengthen the focus on core products. This decision saw the production of complementary products like pumps and portable generators outsourced in 2019. The products are, however, still offered to customers in the Wacker Neuson design. The Group sold its trowel business to Sweden’s Husqvarna Group. In 2020, the Group will continue to feature trowels in its product portfolio as part of an OEM partnership with Husqvarna. Customers will also be able to procure spare parts and avail of services.

In addition, the Group significantly reduced the degree of vertical integration at its US plant by outsourcing machining processes in particular but also welding to suppliers. By freeing up space at its plant and rearranging the production layout, the Group is preparing to increase the output of its core products, especially skid steer loaders for the North American market.

The Group invested in the expansion of its Pfullendorf, Korbach and Kragujevac locations in 2019, again to prepare for the growth expected in the coming years. At Kramer (Pfullendorf), investment focused on expanding the production logistics, with the assembly and testing areas to follow in 2020. At Weidemann (Korbach), the construction of a new administrative and development building got underway in 2019 with completion scheduled for this year. There are also plans to expand logistics and production at the location in the coming years.

In Kragujevac, Serbia, the Group acquired a site in 2019 in order to construct a modern new production facility for steel construction components over the next few years.

Lean management and process improvements
Group-wide standardization and optimization projects at production facilities and the transfer of knowledge between global sites played a key role again in 2019. The Group function Corporate Operations & Excellence focuses specifically on leveraging potential for improvement at individual production plants and coordinating Group-wide improvement initiatives, which are aligned and prioritized with the help of roadmaps. Key focus areas here include measures aimed at raising productivity, flexibility and ergonomics. Wacker Neuson's lean management system ZERO, the use of new technologies ("smart factory") and process improvements in production, materials management and along the order processing workflow are all key factors for achieving operational excellence. The Group uses the planning and management tool Hoshin Kanri to implement its strategy and the defined improvement measures (policy deployment). This method is systematically applied at all levels in the organization, from executive to operational level, to ensure that all activities are aligned with strategic goals and that these goals can be achieved more rapidly.

Roll-out of the methods-time measurement (MTM) time management standard started in 2018 and was systematically continued in 2019. Projects have been initiated at all sites around the world in which data-driven methods are used to deliver sustainable improvements. Streamlining assembly workflows should result in a fairer and more healthy working environment. This uniform standard supports process improvements and makes it easier for experts at different locations to engage with each other and capitalize on the insights gained. An area within internal logistics was also analyzed with the help of the MTM process in 2019. Execution for the entire intralogistics of a pilot plant is planned for mid-2020, after which a decision on whether to roll out the project to other Group sites will be made.

Digitalization in production plants
Alongside the development of new product and construction site concepts and virtual product development, smart factory technologies are a cornerstone of the Group's digitalization efforts, which are firmly anchored in its Strategy 2022. The Group has launched a range of initiatives here including assistance systems in assembly, production and intralogistics processes as well as a new fault and quality management system. In addition to this, it aims to increasingly use digital objects and models to create digital twins that map the physical world and enable improvements to be made in planning projects as well as in machine utilization and availability. The Group plans to deliver improvements in areas like maintenance in 2020.

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

In connection with efforts to streamline the internal supply chain, the Group transferred functions based at the former internal logistics companies in Europe and North America to the European production company and the North American sales affiliate in 2018. As a result, work got underway in 2019 to update and automate the entire warehouse and material handling technology of the North American distribution center and optimize the process flows and IT structures for maximum availability.

Procurement and quality

- First year of hybrid procurement organization
- Networking production and logistics
- Sustainable supplier management

Hybrid procurement organization
The global procurement organization was realigned in 2018 as part of Strategy 2022 execution. During this initiative, procurement and quality functions were decentralized and assigned to the managing directors of the production plants. This realignment was a significant help in accelerating decision-making channels and response times across the Group in 2019.

With this new set-up, the Group benefits from bundled procurement volumes thanks to cross-factory commodity groups with global procurement responsibility. Committees comprising managing directors and department heads have been set up to ensure the organization can leverage synergies and capitalize on potential for improvement at Group level. Commodity groups are managed globally by the Global Commodity Manager function.

Networking production and logistics
The Group aims to align production activities even more closely with the supply chain through intensified supplier management and targeted supplier auditing. The Group concludes long-term contracts with strategic suppliers. Product supply is based on a rolling production and delivery forecast. Digital connectivity with suppliers plays a key role here and this was actively advanced in 2019 with appropriate IT solutions.

In 2018, the Group had to contend with major bottlenecks in its global supply chain. The situation greatly improved in 2019 as a result of dampened demand from certain sectors, some of which rely on the same suppliers as the Wacker Neuson Group. Closer ties with key suppliers and the targeted development of new suppliers of bottleneck products have also greatly improved the availability situation.

Sustainable development of suppliers
The Group is committed to continually auditing suppliers to ensure the quality of parts supplied by third parties and to secure reliable deliveries from new and existing suppliers. The Group works closely with suppliers and develops their performance, from initial selection

through nomination to series production. For new projects, it works with suppliers that best meet its requirements regarding quality, delivery capabilities and cost. To ensure suppliers can meet the stringent requirements of Wacker Neuson, the Group regularly carries out supplier audits.

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

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

Reacting to price fluctuations in procurement markets
Changes in steel prices are of key importance for the Wacker Neuson Group. On average, there was a downward trend in steel prices in 2019. By the third quarter, the material price rise trend of the previous year had been reversed. On the other hand, the trend toward significantly higher wages, especially in Eastern Europe, continued in 2019.

The purchasing organization was able to offset individual price increases to some extent through long-term contracts, relocations and measures to improve supplier efficiency. Taken as a whole, the Group recorded only a minor increase in material costs in 2019.

The Wacker Neuson Group has a global procurement organization. The Group mitigates currency risks by concluding corresponding risk splitting agreements with suppliers and by relying on natural hedging and currency hedging.

Human resources

- Employees as a key success factor
- Global employee survey confirms high level of employee satisfaction

Employees as a key success factor
The Group employs over 6,000 people around the world and they – through their strong sense of customer centricity – form the foundation for the Wacker Neuson Group's success and continued growth.

One of the cornerstones of the Group's global HR strategy focuses on securing and developing the skills and expertise required to continually drive growth throughout the company. That is why the Group prioritizes the recruitment of new talent and the development of technical/commercial and soft skills through a variety of development programs and qualification measures. It also identifies and leverages potential for optimizing workplace ergonomics and promoting the health and wellbeing of all employees as early as possible, as well as maintaining a corporate culture that values and respects individual effort.

The Group again offered employees at various locations numerous voluntary benefits in 2019, including an employer-funded company pension plan, healthcare schemes and a bonus plan for employees who work at the company for a certain number of years.

The Group carried out a global employee survey once again in summer 2019. The aim of the survey was to identify the organization's strengths and weaknesses, and find out exactly what it can do better. In ten out of twelve surveyed categories, the Wacker Neuson Group had improved in relation to the previous survey taken in 2017. Overall satisfaction among survey participants reached a comparatively high level for the industry at 85.2 percent.

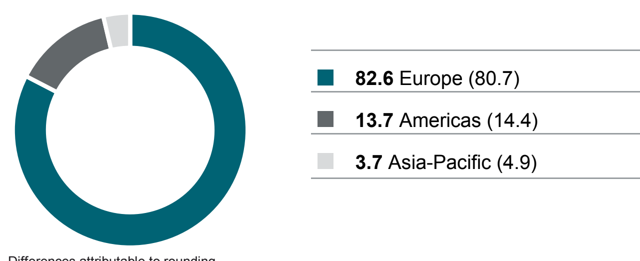
For further information on continuous and further education at the Wacker Neuson Group, an overview of the various initiatives promoting general health, and the detailed results of the employee survey, refer to the Wacker Neuson Group's 2019 non-financial report. This can be accessed on the corporate website: → www.wackerneusongroup.com

Headcount trends in 2019
There was a slight reduction of 2.2 percent in the Group's headcount in fiscal 2019. This decrease was primarily due to the laying off of temporary staff in the plants as part of the reorganization of the production programs. The main plants affected were Hörsching (Austria), Kragujevac (Serbia) and Menomonee Falls (USA). At the closing date, the Group employed a total of 6,056 people (2018: 6,190).

Excluding temporary staff, Group headcount came to 5,654 (2018: 5,370). These figures are calculated by converting the number of people working for the company into full-time equivalents (FTEs). The following figures are based on these FTEs:

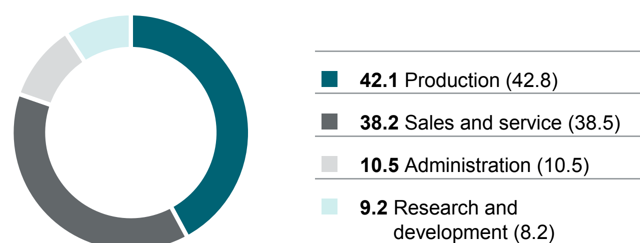
4,669 (82.6 percent) of all employees were based in Europe at the balance sheet date (2018: 4,332).

HEADCOUNT BY REGION
AS A %



Differences attributable to rounding.

EMPLOYEES BY SECTOR
AS A %



Differences attributable to rounding.

773 people were employed in the Americas region (2018: 774), and 212 in the Asia-Pacific region (2018: 264). In the previous fiscal year, 42.1 percent of employees worked in production, 38.2 percent in sales and service, 10.5 percent in administration and 9.2 percent were employed in research and development.

Personnel costs amounted to EUR 392.6 million in total in 2019 (2018: EUR 351.7 million).

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

	2019	2018	2017	2016	2015	2014	2013
Employees	5,654	5,370	5,064	4,792	4,632	4,372	4,157
incl. temporary workers	6,056	6,190	5,546	5,181	5,005	4,990	4,438

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

Sales, service and marketing

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

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

Global sales network – diversified sales channels

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

In a number of markets, the Group has local sales affiliates that support and advise customers and dealers. The Group continually optimizes its market- and customer-specific sales network in order to consolidate and further expand its position in different markets. In 2019, the Group again identified and certified new dealers across the world.

Further expansion of dealer network in North America and China

Wacker Neuson further expanded its sales channel in North America in 2019. The Group is increasingly working with key dealers here, taking proactive measures to qualify and develop these partners and support them with suitable financing solutions. The dealers operate their own branch offices in their business areas, ensuring the requisite proximity to customers. The Group's strategy of focusing on a few major dealers will enable dealers to obtain maximum qualification and integrate digitally in the sales processes, while allowing the Group to maximize the impact of its sales activities and ensure that it – and its partners – grow sustainably.

The Group further expanded its dealer network in China in 2019, focusing in particular on developing dealers for its compact equipment portfolio. The opening of the Chinese production plant in Pinghu in 2018 made it much easier for the Group to find suitable partners. This show of commitment to the Chinese market and to establishing long-term partnerships is an important factor for Chinese dealers when choosing suppliers. In 2019, the compact equipment portfolio in particular was expanded. This saw two excavators tailored specifically to the requirements of the Asian market being added to the production line of the factory in Pinghu. Other key sales development efforts were tailored financing packages that Wacker Neuson offers to its dealers in collaboration with external partners and the alliance with John Deere, which began in the first quarter. For more information, refer to "Strategic alliances". → Page 27 ff.

Digitalization and sales

Wacker Neuson's eStore and ePartner online platforms complement its existing sales channels. Customers can easily use the eStore at any time to find out more about products, spare parts, accessories and services, check their availability, configure compact equipment and place orders for equipment and spare parts. The eStore is currently available to end customers in Germany, the UK and France. The ePartner platform for dealers and major international customers is available in Europe, the US, Canada and Peru. It is gradually being rolled out to other countries. Kramer also launched its ePartner platform for Germany and Switzerland in 2019.

The Wacker Neuson Group invests in targeted research and development to expand its service portfolio and strengthen its position as a technology leader in its core markets of Europe and North America, and to achieve this position in China in the medium term. Topics such as the digital networking of products and services are extremely important in the move to systematically increase customer value. This prompted the Group to introduce the EquipCare telematics solution in 2019. Machines equipped with this technology can push messages in real time to the customer's device (desktop, tablet, smartphone) when they require maintenance, experience a malfunction or are unexpectedly moved to a different location. The tool gives customers a comprehensive overview of their machine's status, including location, operating hours, idle time and the service interventions due soon. EquipCare also allows the customer and dealer service technicians to work more closely and thus more efficiently with Wacker Neuson's service team. Customers benefit from streamlined workflows, less downtime as well as time and productivity gains.

The company is also committed to continuously developing new business models and optimizing its portfolio of services and sales support activities.

Partnerships with market leaders

To further extend its market reach, the Wacker Neuson Group partners with market leaders to distribute its products via their sales networks. In 2019, the Group focused in particular on expanding its collaboration with John Deere, which it entered into in 2017. The partnership covers wheel loaders, tele wheel loaders and telescopic handlers for agricultural markets in the EMENA region. Wacker Neuson entered into another collaboration with John Deere in 2018 focusing on the distribution of mini and compact excavators under the "Deere" brand in China, Australia and selected countries in Southeast Asia. The first batch of equipment was delivered to John Deere at the start of 2019. Detailed information on Group collaborations is available on → page 27 ff.

Diverse customer base

The Group's products and services are targeted at a broad range of customers in order to spread economic risk and drive further growth. The Group's end customer base includes construction companies, gardening and landscaping firms, rental firms, the agricultural sector, municipal bodies, the energy sector, the mining sector and industrial companies. The Group is not dependent on individual customers to any significant degree.

Individualized solutions and customer-centric strategy

During the period under review, the sales and service team focused on customer acquisition, promotional measures and attractive financing models – primarily via external service providers. The Wacker Neuson Group also offered customers individualized product and service solutions tailored to their needs and held various specialist seminars around the world. These were targeted at the internal sales and service team as well as at dealers, rental companies and customers.

Participants had the opportunity to find out more about the Group's efficient, versatile range of products and its extensive service offering. Digital training opportunities are becoming increasingly important here as they allow employees, sales partners and customers to participate in training at any time and from any location.

The Group always aims to develop new products and services that help customers' businesses thrive. It collaborates closely with its customers to ensure it understands exactly what they need. Customers are invited to "Voice of Customer" workshops at both the early and main stages of product development. These events provide a hands-on opportunity for participants to test equipment and machines and for Wacker Neuson to capture suggestions for improvement so they can be front-loaded into the development process (see information on front loading → page 50).

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

Strong resonance at industry trade fairs

The Wacker Neuson Group attended a variety of trade shows again in 2019 to present its brands, products and solutions to professional users. The trade shows attended by the Wacker Neuson Group in 2019 included Matexpo in Belgium, Baumag in Switzerland, Interalpin in Austria, Batimat in France and Plantworx in the UK.

In addition, the Group attended bauma in Munich in April 2019. This is the world's largest construction equipment fair, recording 620,000 visitors this year. The Kramer and Wacker Neuson brands had a joint stand covering 6,000 square meters where they presented innovations, established products and digital solutions. Highlights included the new products from the zero emission range, which took center stage under the slogan #electrified. The concept for the EZ26e all-electric 2.5-ton excavator and the ACBe battery-powered high-frequency internal vibrator for concrete compaction – now available for sale – were unveiled for the first time at the show. With its portfolio of electrically powered products and its digital services offering, the Wacker Neuson Group was able to present itself as a pioneer in the future trends of alternative drives and digitalization. Customers, partners and prospects from around the world expressed strong interest in these particular trends.

In the agricultural sector, the Kramer and Weidemann brands presented their solutions at the world's leading agricultural equipment trade show Agritechnica. The SIMA show in Paris is another important industry event and it proved to be a successful presentation platform for the Kramer and Weidemann brands.

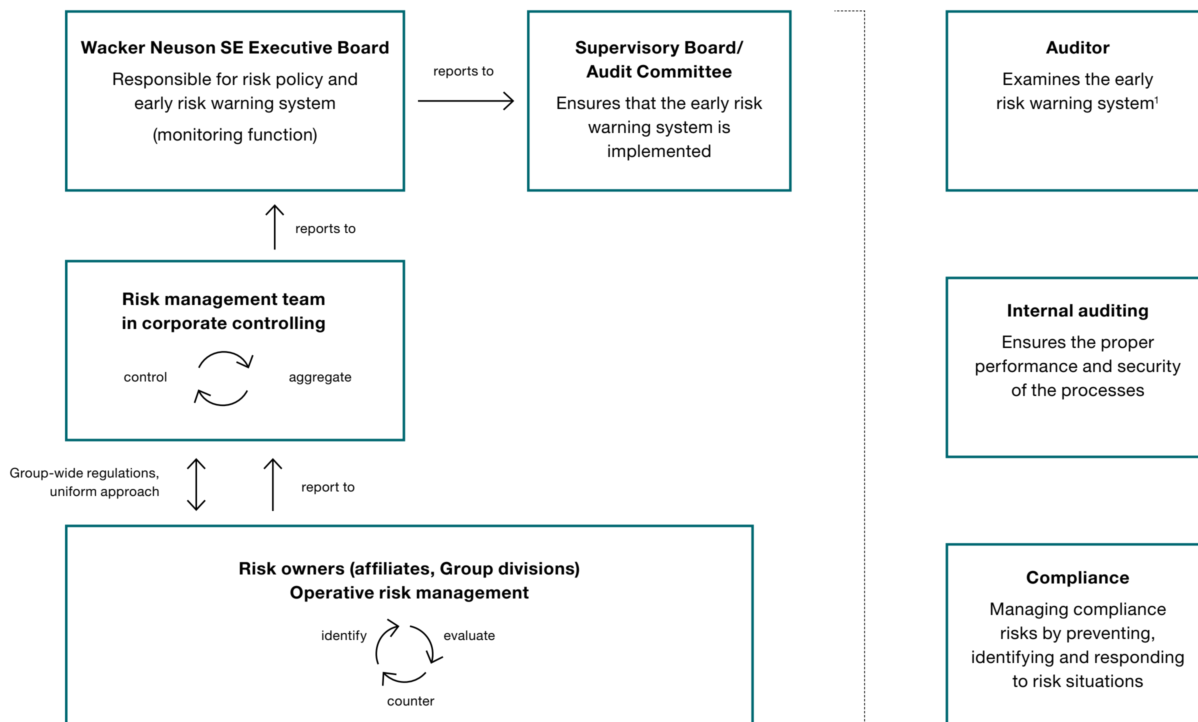
Risk report

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

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

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

CONTROL AND RISK MANAGEMENT



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

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

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

The risks are then assessed using both quantitative and qualitative methods that are uniform throughout the Group, allowing comparison across the various business segments. Refer to the Notes to the Consolidated Financial Statements for further information on the risk management system (item 33).

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

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

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

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

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

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

Risks

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

Risk exposure (=value of anticipated damages) is calculated by multiplying possible damages by the probability of occurrence:

RISK EXPOSURE

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

High and very high individual risks with a value of anticipated damages of >5 percent of Group EBIT (Group EBIT 2019: EUR 153.1 million) are considered the largest individual risks at Group level:

GREATEST INDIVIDUAL RISKS AT DECEMBER 31, 2019

	Risk exposure	Change compared with previous year
Risks related to changes to collective agreements	High	Increased
Currency devaluation	High	Decreased

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

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

DISTRIBUTION OF RISK ACCORDING TO CATEGORY
AS A %

	Percentage share of total risk
Operational risks	28
Financial risks	32
Legal and regulatory risks	5
Personnel risks	19
Technology and development risks	14
Other risks (incl. strategic and IT-related risks)	2

Operational risks – risks associated with the overall economic situation, risks in sales and procurement markets, quality risks
At 28 percent, operational risks account for a sizable share of overall risk (2018: 35 percent). The value of anticipated damages in this category has declined slightly relative to the previous year. This is primarily attributable to decreased (price) risks in the procurement market related to the on-time delivery of parts for production.

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

According to business barometers from relevant industry associations, the expectations of manufacturers of agricultural and construction machines have been more clouded in comparison with the prior year (refer to Opportunities and outlook, → page 70 ff.). Moreover, there is a basic risk that individual markets could be affected by an economic downturn. If the spread of the coronavirus proves to continue further, this could result in a reduced propensity to invest in the Group's target markets. Further, the functioning of the Group's global supply chains could be affected negatively. With respect to this, there is the risk that due to resulting supply bottlenecks the existing inventory of pre-buy engines cannot be installed by June 30, 2020, as required by law. Furthermore, in the case of infection amongst employees, the eventuality may arise that individual locations of the Wacker Neuson Group have to be temporarily closed down. The consequences of this would include possible decreases in production capacity, revenues, and profitability.

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

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

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

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

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

react to fluctuations in demand. To avoid bottlenecks in the supply chain, the Group maintains close and regular contact with its suppliers and concludes binding supplier agreements. If required, it also opens up new supply sources to meet short-term rises in demand and stabilize the supplier base. In order to reduce the risk associated with suppliers yet further, the Group introduced a code of conduct for suppliers. The aim for the Group here is to ensure a sustainable supply chain and prevent the risk of reputational damage as a result of supplier shortcomings.

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

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

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

Financial risks account for 32 percent of overall risk to the Group. This is a decrease on the previous year's figure of 42 percent. The value of anticipated damages in this category is also lower than the previous year. Interest rate risks have decreased compared to the previous year, with an opposite change in capital commitment risks, which have increased due to higher levels of inventory.

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

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

Liabilities in foreign currencies have also increased due to the rise in production volumes in 2019. If exchange rates develop unfavorably for the company in relation to payables expressed in foreign currency, this will increase the value of liabilities expressed in euros. The Group is monitoring the corresponding currencies on an ongoing basis. The Group makes use of targeted hedging instruments at Group level to counteract the risks of devaluation.

With regard to receivables from customers, the Group is exposed to the risk of individual customers defaulting on payments. Expansion of the dealer network in North America and China in particular goes hand in hand with a need to finance these dealers in the short and medium term, and this raises the corresponding risk of default. The Wacker Neuson Group counters this risk through efficient receivables management systems that include checks on customers' credit ratings and credit limits, extended retention of title as a legal instrument, the partial no-recourse sale of receivables to financing companies, financial guarantees from the owners of dealer organizations and higher balance sheet risk provisions.

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

As Wacker Neuson distributes its products in Europe via subsidiaries and its own sales and service stations, inventory levels of finished machines are high in comparison with competitors who primarily sell their products to end customers via dealers. The Group is countering the resulting capital commitment risks using strict company-specific inventory targets. These are monitored on an ongoing basis and rationalization measures implemented where necessary.

Refer to the Notes to the Consolidated Financial Statements for further information on financial risks (items 25 and 33).

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

The risks in this category account for 5 percent of overall risk (2018: 11 percent). The value of anticipated damages has also decreased. This is primarily attributable to a decrease in risks associated with tax and customs proceedings and the possibility of public subsidies not being provided due to preconditions not being met.

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

Warranty and product liability claims can result in claims for damages and injunctions. The Group minimizes these risks by taking the utmost care when developing and manufacturing its products, as well as by taking out appropriate insurance policies.

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

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

New regulatory measures and changing customs regulations could have a negative impact on sales of Group products and also manufacturing costs. In turn, this could increase legal risks to the Group. If the EU and the UK fail to agree on a future free trade deal by the end of 2020, this could lead to delays in supply chains and customs-related price increases. The Group is countering this risk by implementing measures in good time to ensure compliance with regulatory requirements and safeguard sales of its products.

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

No legal proceedings are currently underway or pending that might have a significant impact on the Wacker Neuson Group's financial situation. To the extent possible, the Wacker Neuson Group has concluded insurance policies worldwide to protect against material liability risks arising from potential damages for which the company could be held accountable.

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

Strategic risks account for 1 percent of overall risk to the Group. This is approximately the same as the previous year (2018: 2 percent). The value of anticipated damages was also slightly lower than the previous year. This decrease is due to the lower risk assessment regarding negative developments in the Group's competitive landscape.

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

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

In May 2018, the collaboration with Caterpillar in the area of mini excavators was terminated. Wacker Neuson nevertheless expects that it will continue to supply individual OEM models to Caterpillar in 2020 and 2021 as it did in 2019, albeit in significantly lower volumes. If the Group is not able to compensate for this loss of volume by becoming more proactive in the markets itself, revenue and profit losses may be incurred.

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

Personnel risks – risks associated with the loss of key employees and changes to employment contracts

Personnel risks' share of overall risk rose to 19 percent in 2019 (2018: 8 percent). The value of anticipated damages also increased. This rise is primarily attributable to risks associated with potential changes in employment contracts.

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

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

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

Technology and development risks – risks arising from disruptive business models and technologies, risks from the development of new products and processes, and from product development projects

This risk category's share of overall risk increased to 14 percent in 2019 (2018: 2 percent). The value of anticipated damages also increased. The increase in this risk category can be tracked to possible delays in product development against the backdrop of increasing new product releases as well as risks in the manufacturing processes due to possible production line failures.

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

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

IT-related risks – risks associated with system failure, cyberattacks and unauthorized entry to IT areas / access to IT systems

The company uses IT systems in numerous areas. Failure of these systems could negatively impact on production and the flow of goods, resulting in loss of revenue. The Group is countering this risk through IT backup strategies and the use of standardized software as well as professional hardware security. It is pursuing a strict project management policy to counter risks that can occur during the roll-out of global IT systems and to prevent additional costs. The global threat situation in the area of cybercrime remains high. This is primarily due to an increase in the number of incidents and in particular the quality and effectiveness of criminal activity in spite of generally improved security mechanisms across the industry. Attacks are focused on the confidentiality, integrity and availability of data, IT systems and networks of all kinds, in addition to attempted identity theft. The German Federal Office for Information Security (BSI) discusses "cooperative and work-sharing cybercrime" in its latest report on the state of IT security. This also presents a risk for the security of Wacker Neuson Group systems and data.

Summary of risk situation facing the Group – assessment of risk situation by the Executive Board

Viewed as a percentage of overall risks, the main risks lie in the financial risk, operational risk and personnel risk categories. Together, these three categories represent around 79 percent of total risk exposure (2018: 85 percent).

The overall risk has decreased relative to the previous year. The main reason for this development is the decline in operational risks as well as in legal and regulatory risks. This is primarily due to downrating of risks associated with the supply of materials on the procurement side and decreased risks related to tax and customs proceedings. The main risks are listed in this risk report.

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

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

Main non-financial risks

EU Directive 2014/95/EU on the disclosure of non-financial information requires companies to also report on basic non-financial risks arising from their business activities with an impact on environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. The Group reports on these basic non-financial risks in a non-financial Group report, which is published separately. → Page 68

Opportunity management system

Opportunities relate to internal and external developments that could have a positive impact on the Group. The direct responsibility for identifying and managing opportunities in a timely manner is vested in committees rather than specific individuals. These committees make decisions on matters like strategic projects initiated by the Group in response to changing market and customer requirements. These committees include experts and high-ranking decision-makers from across the Group. The Wacker Neuson Group's decision-making process focuses on opportunities while at the same time taking the associated risks into account. Opportunities should be identified and aligned at an early stage to improve the chances of successful capitalization on those opportunities. Selected potential opportunities for the Wacker Neuson Group are outlined in the "Opportunities for future development" section. → Page 71

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

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

Composition of subscribed capital

At December 31, 2019, the company's share capital amounted to EUR 70,140,000.00, divided into 70,140,000 individual no-par-value nominal shares, each representing a proportionate amount of the share capital of EUR 1.00 according to Section 3 (2) of the Articles of Incorporation of Wacker Neuson SE. There is only one type of share; all shares are vested with the same rights and obligations as outlined in detail in particular under Sections 12, 53a, 133 ff. and 186 AktG. The provisions of AktG apply to Wacker Neuson SE in accordance with Section 9 (1) c) ii) and Section 10 of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (referred to as "SE Regulation" in the following), unless otherwise specified in the SE Regulation.

Restrictions affecting voting rights or the transfer of shares

Information on the pool agreement

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

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

Information on the partnership agreement of Wacker Familiengesellschaft mbH & Co. KG

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

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

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

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

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

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

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

The voting rights held by the below-mentioned shareholders correspond to around 57.7 percent of the share capital. The shareholders are bound to exercise these voting rights under the terms of a reciprocal pool agreement (see “Restrictions affecting voting rights or the transfer of shares”). → Page 64

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

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

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

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

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

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

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

Members of the Executive Board are appointed and dismissed according to Sections 84 and 85 AktG. The Executive Board of Wacker Neuson SE must have at least two Board members according to Section 6 (1) of the Articles of Incorporation of Wacker Neuson SE. The Supervisory Board otherwise determines the number of Executive Board members (Section 6 (2) Sentence 1 of the Articles of Incorporation).

The Supervisory Board is also responsible for appointing and dismissing Executive Board members; a simple majority of votes cast suffices for these decisions.

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

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

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

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

Treasury shares

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The promissory notes (Schuldschein) with terms between five and seven years placed by Wacker Neuson SE in February 2017 and May 2019 give the respective creditors termination options if third parties acquire at least 50 percent of voting rights in the company. Similar conditions are also contained in the promissory notes (Schuldschein) with terms between five and seven years placed by Wacker Neuson Corporation, USA (a wholly-owned subsidiary of the company) in February 2018.

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

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

There is no such agreement.

Concluding remark

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

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

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

Non-financial Group statement for 2019

Wacker Neuson SE has been required to disclose non-financial information as of fiscal 2017 following implementation of EU Directive 2014/95/EU by German legislators. This requires the Group to report every year on environmental, social and employee-related issues and provide information on the observance of human rights and the prevention of corruption and bribery. To this end, the Wacker Neuson Group has issued a separate non-financial Group statement in accordance with Section 315b HGB for fiscal 2019. This statement was published at the same time as the Annual Report. The 2019 non-financial Group statement published by the Wacker Neuson Group is also available on the company website at: → www.wackerneusongroup.com/investor-relations.

Remuneration framework

Information on the Executive Board

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

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

The remuneration for active members of the Executive Board comprises:

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

The individual remuneration components are as follows:

- The annual fixed salary is paid in equal monthly installments.
- The variable salary is based on average consolidated earnings after taxes for the previous three fiscal years, as reported in the approved Consolidated Financial Statements for the respective fiscal years, as well as on the return on capital employed as reported in the Consolidated Financial Statements. The Group's performance is another indicator for determining variable salary, measured by a combination of the extent to which revenue goals are achieved and the size of the EBIT margin. The variable salary based on this indicator is paid out only in part on approval of the Consolidated Financial Statements for the fiscal year in question. The remaining part (longer-term component) is paid out only if the performance indicators in the two subsequent years lie above a defined threshold. An upper threshold for the overall variable remuneration has been agreed for all Executive Board members.
- The proportion of the variable remuneration within the overall remuneration package differs in each individual case and ranges from 64 to 68 percent in the reporting period for 100-percent achievement of targets.
- If Executive Board member employment contracts are terminated prematurely, but not for good cause, the members of the Executive Board shall each receive compensation in the amount of their average discounted annual remuneration for the remainder of the contractual period including their variable remuneration, up to a maximum of two annual remunerations. If a contract is terminated after the age of 55 and prior to the member reaching the age of 62, the member of the Executive Board in question may claim transitional payments.
- If they are temporarily prevented from working through no fault of their own, members of the Executive Board continue to receive their fixed annual salary and bonus for a limited period. In the event of death, widows and dependent children receive corresponding payments for a limited period. This does not affect widow's and orphan's pensions under the pension commitment.
- The non-cash remuneration and other remuneration includes a subsidy for health insurance and pension provisions, premiums for accident insurance, the use of a company car, etc.
- Under the pension commitment, the members of the Executive Board receive an old-age pension for life upon reaching the age of 62 unless the employment relationship with the company was terminated for good cause that is the fault of the Executive Board member. In addition, an invalidity pension is paid in the event of disability, and a widow's and orphan's pension is paid in the event of death. Other remuneration may have to be offset against these amounts payable.

Total remuneration for the Executive Board
Total remuneration for the Executive Board in the fiscal year under review amounted to EUR 4.0 million (2018: EUR 4.5 million).[1] Total remuneration for the Supervisory Board for the same period amounted to EUR 0.5 million (2018: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed to refrain from itemizing information in line with Section 61 of the SE Regulation in conjunction with Section 285 no. 9a sentences 5 to 8 HGB and Section 314 (1) no. 6a sentences 5 to 8, as well as Section 315a (1) HGB (in the applicable version), in accordance with Section 286 (5) sentence 1, Section 314 (3) sentence 1, Section 315a (1) HGB.

Information on the Supervisory Board
The remuneration structure for the members of the Supervisory Board is set down in Section 14 of the Articles of Incorporation. It was last amended by the AGM in May 2012. In line with this provision, the fixed remuneration for each individual member of the Supervisory Board

[1] The value from 2018 has been adjusted compared to the published report from the previous year due to a clerical error.

amounts to EUR 30,000. The Chairman of the Supervisory Board receives twice this amount, and his/her deputy receives 1.5 times the fixed remuneration. Members of committees receive an additional fixed remuneration, with the Chairman of each committee receiving twice the regular committee remuneration. The members of the Supervisory Board also receive a fixed allowance for each Supervisory Board meeting in which they participate. In addition, members of the Supervisory Board are reimbursed for their out-of-pocket expenses and any VAT that may be due on their remuneration and out-of-pocket expenses. The individual Supervisory Board members shall also be paid a variable remuneration.

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

Supplementary report

Refer to the Notes to the Consolidated Financial Statements (Note 30) for information on events since the reporting date, December 31, 2019.

Opportunities and outlook

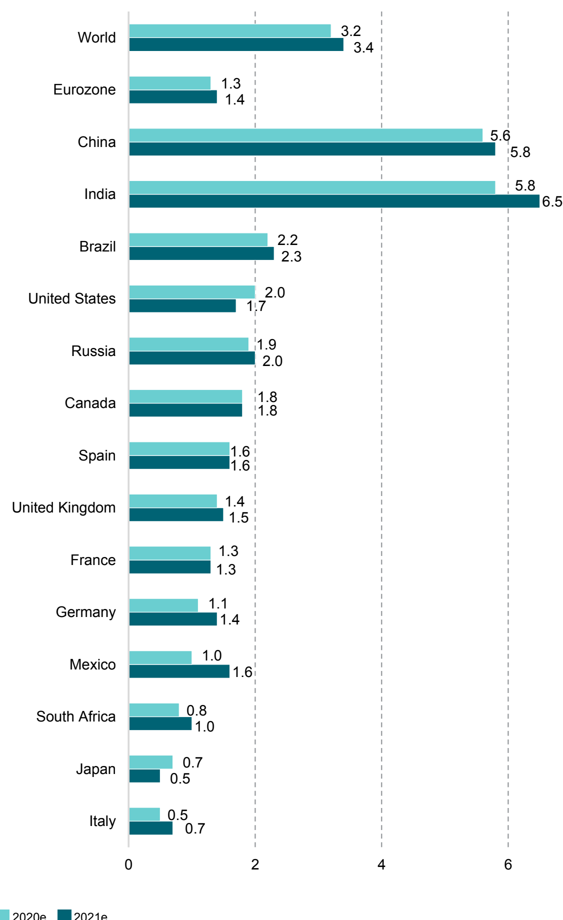
Overall economic outlook

- Dampened growth in industrialized countries
- Lower rates of growth in China; coronavirus posing risk to global economic growth

The International Monetary Fund (IMF) has predicted an increase in global economic growth in 2020, up from 2.9 percent in 2019 to 3.2 percent this year. Despite positive developments like the move toward an agreement in the US-China trade conflict, the lower likelihood of a no-deal Brexit, the continued accommodative nature of monetary policy and signs that the decline in manufacturing and trade may be bottoming out, the IMF still foresees a number of risks for the global economy in 2020. These especially include the spread of the coronavirus, which prompted the IMF to lower its global economic growth prediction from 3.3 percent to 3.2 percent. Further, the IMF points towards rising geopolitical tensions, in particular between the United States and Iran, the intensification of social unrest and anti-government protests in many parts of the world along with recent trade dispute escalations. For the first time, the IMF also lists climate change as a driver of weather-related natural disasters as an economic risk. The risk factors listed above will primarily impact developments in advanced economies, where the IMF projects 2020 growth of just 1.6 percent, as well as in China. Experts have now revised their 2020 growth prediction for China downward to 5.6 percent from the 6.0 percent published in January 2020. In addition to the effects of the coronavirus and the trade conflict with the US, structural problems such as high debt levels among government bodies are cited here.

GLOBAL GDP GROWTH 2020E AND 2021E

AS A %



Source: IMF, World Economic Outlook, January 2020 update; values for *World* and *China* have been adjusted based on press release 20/61 from the IMF, dated February 22, 2020.

The IMF forecast GDP growth in the eurozone of 1.3 percent. Meanwhile, the European Commission made a growth prediction of just 1.2 percent in its February 2020 growth forecast. The effects of the coronavirus had not yet been accounted for, however. Depending on the duration and severity of this pandemic, lower demand in China and disruptions to global supply chains could negatively impact growth in the eurozone.

According to the IMF, the US economy will experience significantly lower rates of growth, with a 2.0 percent increase predicted for 2020 and 1.7 percent for 2021. The reasons mentioned for the slowdown are the trade conflict with China and the weakening one-off effects of the tax reform implemented at the close of 2017.

Outlook for construction and agricultural industries

- Outlook remains positive for the construction sector
- Cautious optimism for US rental industry in 2020 and 2021
- Mood in the European agricultural equipment sector shaped by uncertainty

Pace of growth slows in the construction industry

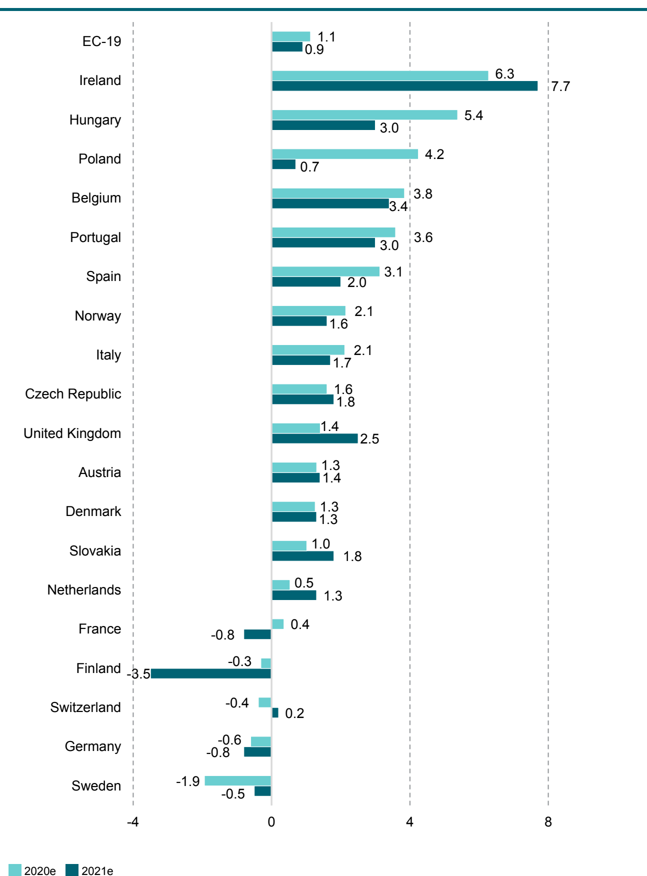
Despite a temporary slowdown, the global construction industry looks set to remain on a growth path over the coming years, with GlobalData projecting average annual growth of 3.3 percent for the period from 2020 to 2023. At 3.1 percent, the industry is expected to develop slightly below this average in 2020. The short-term outlook for the European construction sector is not quite as positive. According to Euroconstruct, production output in the construction industry will increase by 1.1 percent in 2020. The market in Germany is expected to decline.

VDMA experts expect the downward trend which began in the construction equipment industry in 2019 to continue in 2020. A downturn in revenue of approximately 5 percent is forecast at global level. Manufacturers in the European market should likewise expect to see revenue squeeze by around 5 percent, according to the VDMA. The Committee for European Construction Equipment (CECE) foresees a slight downturn, but does not believe that this will result in a pronounced recession given the intact nature of long-term trends in demand. Strong demand for infrastructure investment across the globe will continue to provide major opportunities for global construction equipment manufacturers. The CECE foresees a sharper drop in demand in the Chinese market only due to the impact of the coronavirus.

The American Rental Association (ARA) is cautiously optimistic about the coming years. The US rental industry is expected to grow by between two and three percent in 2020 and 2021. Given the sluggish development of the economy as a whole, this remains a positive projection for the rental industry.

Mixed outlook in the European agricultural equipment sector
According to the business barometer published by the European umbrella association for the agricultural machinery industry (CEMA), the mood in the European agricultural equipment sector dampened over the course of 2019. All the same, expectations in February 2020 were more optimistic than in December 2019, and were revised upwards for nearly all European regions. Alongside an increase in orders from dealers, order intake from the EU market was also showing a more positive overall trend. Whereas Scandinavia is showing clear signs of recovery, development of the French market is looking weaker than it has in the past. The possible consequences of an impending spread of the coronavirus are not yet included in these expectations.

PROJECTED DEVELOPMENT OF THE EUROPEAN CONSTRUCTION SECTOR: 2020E AND 2021E



Source: Euroconstruct, November 2019.

In view of difficult summer weather conditions, unfavorable prices for wheat, milk, pork and beef as well as uncertainties in global agricultural markets caused by political developments, the German Farmers' Association described the mood in the German agricultural sector at the start of 2020 as extremely subdued. Nevertheless, the Agrar barometer for agricultural activity revealed a slight increase in willingness to invest among German landowners compared with the previous year. This especially applies to yard and stable equipment, both of which are key areas for the Wacker Neuson Group.

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

Opportunities for future development

- Megatrends drive business performance
- Systematic implementation of Strategy 2022
- Innovation lever to win market shares

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

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

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

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

TRENDS DRIVING GROUP BUSINESS

Construction industry

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

Agriculture and other sectors

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

Systematic implementation of Strategy 2022

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

Focus

Focus for the Wacker Neuson Group means optimizing its portfolio of competitive construction and agricultural equipment by concentrating on core products for mature markets. According to data from the market research institute Off-Highway Research, compact equipment such as mini excavators will increase their share of the total market over the coming years, in particular in North America and China. This opens up significant growth opportunities for the Group's core products. The objective is to win a bigger share of the international market. In 2019, the Group either outsourced or sold its production of complementary products like pumps, portable generators and trowels to sharpen its focus on core products. The Group also reorganized its network of plants in order to concentrate on the defined core regions. This resulted in the closure of the production facility in Itatiba, Brazil. Production was ramped up further at the same time at the plant in Pinghu, which had opened in 2018, in order to serve the future core market of China. Additional compact excavators for the Asian market were thus added to the product portfolio.

Acceleration

Faster innovation cycles and rising customer expectations call for **acceleration**. Digital services are becoming increasingly important, machines can work (semi-)autonomously or with assistance systems, and networked construction sites are becoming more common. Wacker Neuson recognizes these trends as an opportunity to shape the future and increase responsiveness to customer needs. Since product-based differentiation is becoming increasingly challenging, the Group sees the need to complement its traditional products with innovative and future-proof business models. It is in the process of transitioning from an equipment manufacturer to a full-service solution provider. The software skills required to set up interfaces and integrate machine data were acquired and developed throughout 2019. Digital solutions like the WeCare service package and the EquipCare telematics solution for active fleet management as well as the mobile container solution OnSiteBox were either introduced or expanded. Further information can be found in the Segment reporting. → Page 48

Excellence

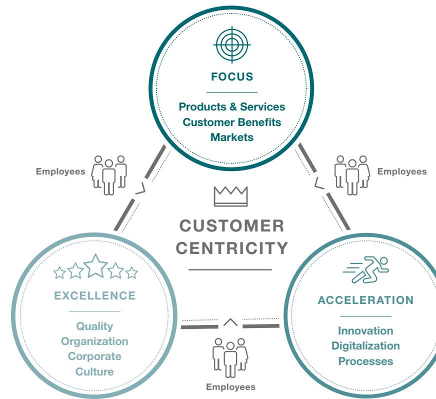
Striving for even greater operational **excellence**, the Wacker Neuson Group aims to continuously improve the high quality of its products, processes and workflows in all departments as part of its Strategy 2022 initiative. Looking beyond the streamlining of internal structures to accelerate and improve workflows, the Wacker Neuson Group has identified ongoing talent development, the promotion of commitment and agility, and teamwork as key success factors. Wacker Neuson is also focusing on the international roll-out of the spare parts and service organization to deliver an even better aftermarket experience for its customers and expand this promising business segment step by step.

Vision 2022

By 2022, the Wacker Neuson Group also wants to be one of the TOP 3 competitors in terms of market share for its core products in compaction, worksite technology, concrete technology and compact equipment. A Group revenue target of over EUR 2 billion has been set and the EBIT margin should exceed 11 percent. The Group wants to bring its net working capital below 30 percent, which should have a positive long-term effect on free cash flow.

STRATEGY 2022

Top 3	2 times	>€ 2 bn	>11 %	≤30 %
with core products	market growth	Revenue	EBIT margin	NWC



Program to reduce costs and improve efficiency

In light of the recent weakening of profit levels, the Executive Board has agreed on a program aimed at reducing costs and improving efficiency. The Executive Board expects the planned initiatives to yield potential savings of around EUR 50 million relative to fiscal 2019, which should be achieved gradually through 2020 and 2021. The components of the program are as follows:

- Restructuring of sales organization
  By reorganizing the sales organization, the Executive Board plans to streamline internal structures. This will include an analysis of all the Group's own sales affiliates to assess the extent to which they are delivering value to customers. Administrative activities which do not add value are to be cut back, and a greater emphasis will be placed on local expertise and customer centricity.

- Optimization of outbound logistics
  The Executive Board is planning to ship more products directly from the factory to its customers in the future. Previous intermediate steps like pre-delivery inspection are to be carried out directly at production facilities in future, reducing transport costs within the Group.

- Reduction of material and procurement costs
  Furthermore, the Executive Board plans to introduce wide-ranging procurement initiatives to reduce material and purchasing costs. For example, there are plans to harmonize and bundle procurement of attachments for compact equipment Group-wide.

- Reducing inefficiencies in production
  During 2019, high levels of volatility in the production program led to inefficiencies at production plants. The Executive Board wants to stabilize the production flow through closer liaison between sales and production and avoid inefficiencies in the workflow. The introduction of SAP Analytics in 2019 has significantly improved production and sales planning verification based on inventory targets. The introduction of SAP IBP (Integrated Business Planning) will mark a key step towards Group-wide integration of sales, production and inventory planning in 2020.

The avoidance of costs related to unplanned inventory sell-offs and non-recurring costs in connection with the restructuring of the US production company, which affected earnings in 2019, offer further savings potential. At the same time, the Executive Board expects the implementation of the cost reduction and efficiency improvement measures described above to generate one-off costs of around EUR 10 million, most of which will be incurred in 2020. The aim is to recoup these costs through the savings anticipated in 2020.

Guidance

Expected development of revenue and profit

According to the IMF, the global economy continues to face a number of risks in 2020. The main factor relates to the coronavirus, which has disrupted global supply chains and has already placed negative impacts on the global economy in the first months of this year. Additional risks include rising geopolitical tensions, the intensification of social unrest in many parts of the world, and renewed escalation of the trade dispute between the US and China.

While the forecasts for the construction industry remain cautiously optimistic, both the VDMA and the CECE foresee a downward trend for the construction equipment sector. The mood in the agricultural machinery industry is also on the pessimistic side, although the umbrella association CEMA did report a slight upturn at the start of 2020. In the above mentioned market research, the possible consequences of the coronavirus are not yet accounted for.

In spite of these risks and uncertainties in the Group's target industries, the long-term trend in favor of compact equipment for the construction and agricultural industries remains intact. The Group benefits here from global megatrends such as population growth, urbanization and growing climate awareness, which are helping to drive long-term demand for compact and environmentally sound machines.

In the fourth quarter of 2019, the Group's order intake was slightly lower than the previous year's level. While orders in the Americas region were significantly down compared to the previous year at the start of 2020, a higher number of orders had been received in Europe. Overall, order intake in the first two months of this year was below the levels of the previous year.

Significant uncertainties exist with respect to the continued spread of the coronavirus and the related effects on customer demand as well as the global supply chains of the Group. The Executive Board assumes that the production numbers initially planned for the year 2020 can partially not be met due to bottlenecks in the supply chains. Furthermore, a severe weakening of the Asian market can be expected.

Taking into consideration the general conditions described above, and according to the information available to date, the Executive Board expects revenue for fiscal 2020 to amount to between EUR 1,700 and 1,900 million (2019: EUR 1,901.1 million).

The EBIT margin is expected to lie between 6.5 and 8.5 percent (2019: 8.1 percent). The ranges put forth are larger than those of the previous year due to the currently persisting uncertainties, especially in connection with the consequences of the coronavirus.

GUIDANCE

	2020e	2021e
Revenue	€ 1,700 to 1,900 million	Growth
EBIT margin	6.5% to 8.5%	Improvement
Net working capital as a % of revenue	Stagnating to slightly lower than prior year	Improvement
Investments	€ 80 to 100 million	Adapted to market developments

Segment trends
The Executive Board expects the development of revenue in the year 2020 in the Asia-Pacific region to be decreasing, in the Americas region for it to be stagnant or to recede and in Europe to also be stagnant or to recede. Among the Group's business segments, the development of the light equipment segment is expected to be slightly weaker than that of the compact equipment and services segments.

Planned development in investments and net working capital
The Group intends to continue investing in profitable projects and develop its affiliates further – across all regions and lines of business. For fiscal 2020, the figure earmarked for investments in property, plant and equipment and intangible assets is EUR 80 to 100 million (2019: EUR 89.2 million).[1] In addition to investments to replace existing equipment, this includes in particular investments to expand the European production facilities, which will help the Group lay the foundations for further growth.

The Executive Board expects the net working capital ratio (net working capital expressed as a percentage of revenue) to be stagnant or to improve slightly relative to December 31, 2019 (2019: 42.7 percent).

The Wacker Neuson Group's financials and assets together with its strong market positions provide an ideal basis for winning market shares and ensuring profitable growth over the coming years. The Executive Board plans to maintain an equity ratio of well over 50 percent (2019: 55.8 percent).

The Group is also open to the possibility of further partnerships, and to further acquisitions.

Outlook through 2021
Taking into consideration the general conditions described above and assuming that these will not have any further significant negative impact on the global economy, the Executive Board from its current standpoint expects revenue and profitability to grow in fiscal 2021.

Summary outlook

Global megatrends will provide opportunities for the Wacker Neuson Group's business model in the medium and long term. The Group plans to capitalize on these trends in a number of ways, including by focusing on developing its core markets, selectively expanding its international presence and offering a portfolio of innovative products and services. In the short term, however, there are certain risks to the development of the global economy, to customer demand in important target markets of the Group as well as to the functioning of the global supply chains.

In fiscal 2020, the Executive Board expects revenue between EUR 1,700 million and EUR 1,900 million, as well as an EBIT margin between 6.5 and 8.5 percent. Revenue growth in connection with rising profitability is expected for fiscal 2021.

The Group's shareholders shall continue to share in its success. The company therefore plans to make annual dividend payments to shareholders, provided its projections are accurate.

Munich, March 9, 2020

Wacker Neuson SE, Munich

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

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

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Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2019	Jan. 1 – Dec. 31, 2018 adjusted
Revenue	(1)	1,901.1	1,710.0
Cost of sales		-1,426.2	-1,251.6
Gross profit		**474.9**	**458.4**
Sales and service expenses		-224.8	-200.6
Research and development expenses		-36.9	-35.9
General administrative expenses		-75.8	-72.8
Other income	(2)	17.6	14.2
Other expenses	(4)	-1.9	-1.0
Profit before interest and tax (EBIT)		**153.1**	**162.3**
Income from the sale of a real estate company		–	54.8
Financial income	(5a)	5.6	5.4
Financial expenses	(5b)	-21.2	-19.5
Profit before tax (EBT)		**137.5**	**203.0**
Taxes on income	(6)	-49.0	-58.4
Profit for the period		**88.5**	**144.6**
Of which are attributable to:			
Shareholders in the parent company		88.5	144.6
Minority interests		–	–
		88.5	144.6
Earnings per share in € (diluted and undiluted)	**(7)**	**1.26**	**2.06**

As of fiscal 2019, expenses for service technicians are reported under cost of sales (previously: personnel costs were reported under cost of sales while expenses for pro-rata property, plant and equipment costs were reported under sales expenses). In addition, there was a change in how figures are reported with regard to proceeds from customer financing. Interest income has been moved from the financial result and other income to the revenue line. The income from customer financing is not offset by direct interest in the cost of sales. Since it is not possible to allocate interest directly, it is included in interest and similar expenses. Refer to the note “Changes to accounting and valuation methods” in the Notes to the Consolidated Financial Statements for further information. Figures for 2018 have been adjusted accordingly.

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2019	Jan. 1 – Dec. 31, 2018
Profit for the period		**88.5**	**144.6**
Other income			
Income to be recognized in the income statement for subsequent periods			
Exchange differences		5.8	6.7
Cash flow hedges		-2.4	-0.2
Effect of taxes on income		0.4	-0.2
Income to be recognized in the income statement for subsequent periods		**3.8**	**6.3**
Income not to be recognized in the income statement for subsequent periods			
Actuarial gains/losses from pension obligations		-10.6	-1.6
Effect of taxes on income		2.9	0.5
Financial assets measured at fair value through other comprehensive income		-0.4	–
Income not to be recognized in the income statement for subsequent periods	**(18)**	**-8.1**	**-1.1**
Other comprehensive income after tax		**-4.3**	**5.2**
Total comprehensive income after tax		**84.2**	**149.8**
Of which are attributable to:			
Shareholders in the parent company		84.2	149.8
Minority interests		–	–
		84.2	**149.8**

Consolidated Balance Sheet

BALANCE AT DECEMBER 31

IN € MILLION

	Notes	Dec. 31, 2019	Dec. 31, 2018 adjusted
Assets			
Property, plant and equipment	(8)	400.3	294.6
Property held as financial investment	(9)	25.3	25.8
Goodwill	(10a)	237.8	237.8
Intangible assets	(10b)	165.9	143.5
Investments		11.5	3.0
Deferred tax assets	(6)	38.3	40.2
Other non-current financial assets	(11)	94.9	75.8
Other non-current non-financial assets	(11)	0.1	1.7
Total non-current assets		**974.1**	**822.4**
Rental equipment	(12)	166.1	149.4
Inventories	(13)	602.5	553.4
Trade receivables	(14)	359.1	303.3
Tax offsets	(6)	4.3	0.4
Other current financial assets	(15)	23.6	16.2
Other current non-financial assets	(15)	19.7	22.5
Cash and cash equivalents	(16)	46.3	43.8
Non-current assets held for sale	(17)	0.9	2.8
Total current assets		**1,222.5**	**1,091.8**
Total assets		**2,196.6**	**1,914.2**
Equity and liabilities			
Subscribed capital	(18)	70.1	70.1
Other reserves	(18)	583.2	587.5
Net profit/loss		571.7	563.8
Equity attributable to shareholders in the parent company		**1,225.0**	**1,221.4**
Minority interests		**–**	**–**
Total equity		**1,225.0**	**1,221.4**
Long-term financial borrowings	(21)	372.4	214.7
Long-term lease liabilities	(26)	66.9	2.6
Deferred tax liabilities	(6)	36.8	34.6
Provisions for pensions and similar obligations	(19)	61.8	52.3
Long-term provisions	(20)	7.9	5.9
Total non-current liabilities		**545.8**	**310.1**
Trade payables	(22)	149.9	212.8
Short-term liabilities to financial institutions	(21)	112.4	33.8
Current portion of long-term borrowings	(21)	0.5	–
Short-term lease liabilities	(26)	25.2	1.4
Short-term provisions	(20)	17.6	15.7
Contract liabilities	(24)	9.4	6.9
Tax liabilities	(6)	19.0	29.2
Other current financial liabilities	(23)	41.7	35.6
Other current non-financial liabilities	(23)	50.1	47.3
Total current liabilities		**425.8**	**382.7**
Total liabilities		**2,196.6**	**1,914.2**

The presentation of several items on the Consolidated Balance Sheet has been modified relative to the previous year as a result of changes in reporting reflecting the initial application of IFRS 16, as well as new lines for shareholdings, contract liabilities and income tax liabilities. Refer to the note “Changes in accounting under IFRS” for further information. → Page 83

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Subscribed capital	Capital reserves	Exchange differences	Other neutral changes	Net profit/loss	Equity attributable to shareholders in the parent company	Minority interests	Total equity
Balance at January 1, 2018	**70.1**	**618.7**	**-18.3**	**-18.1**	**461.3**	**1,113.7**	**–**	**1,113.7**
Profit for the period	–	–	–	–	144.6	144.6	–	144.6
Other income	–	–	6.7	-1.5	–	5.2	–	5.2
Total comprehensive income	**–**	**–**	**6.7**	**-1.5**	**144.6**	**149.8**	**–**	**149.8**
Dividends	–	–	–	–	-42.1	-42.1	–	-42.1
Balance at December 31, 2018	**70.1**	**618.7**	**-11.6**	**-19.6**	**563.8**	**1,221.4**	**–**	**1,221.4**
First adoption IFRS 16	–	–	–	–	-3.4	-3.4	–	-3.4
Balance at January 1, 2019	**70.1**	**618.7**	**-11.6**	**-19.6**	**560.4**	**1,218.0**	**–**	**1,218.0**
Profit for the period	–	–	–	–	88.5	88.5	–	88.5
Other income	–	–	5.8	-10.1	–	-4.3	–	-4.3
Total comprehensive income	**–**	**–**	**5.8**	**-10.1**	**88.5**	**84.2**	**–**	**84.2**
Dividends	–	–	–	–	-77.2	-77.2	–	-77.2
Balance at December 31, 2019	**70.1**	**618.7**	**-5.8**	**-29.7**	**571.7**	**1,225.0**	**–**	**1,225.0**

Profit carried forward has been adjusted at January 1, 2019 due to the initial application of IFRS 16. Refer to the note “Changes in accounting under IFRS” for further information. → Page 83

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2019	Jan. 1 – Dec. 31, 2018 adjusted
EBT		**137.5**	**203.0**
Adjustments to reconcile profit before tax with gross cash flows:			
Depreciation and amortization of non-current assets		63.3	40.5
Unrealized foreign exchange gains/losses		-10.2	-6.2
Financial result	(5)	15.6	14.1
Gains from the sale of intangible assets and property, plant and equipment		-0.6	-4.3
Income from the sale of a real estate company		–	-54.8
Changes in rental equipment, net		-14.9	-28.2
Changes in misc. assets		-15.6	-53.2
Changes in provisions		2.4	-4.0
Changes in misc. liabilities		12.7	17.7
Gross cash flow		**190.2**	**124.6**
Changes in inventories		-42.5	-116.0
Changes in trade receivables		-51.8	-66.4
Changes in trade payables		-64.0	77.6
Changes in net working capital		**-158.3**	**-104.8**
Cash flow from operating activities before income tax paid		**31.9**	**19.8**
Income tax paid		-52.8	-35.3
Cash flow from operating activities		**-20.9**	**-15.5**
Purchase of property, plant and equipment	(8)	-50.5	-37.3
Purchase of intangible assets	(10)	-38.7	-36.0
Purchase of investments		-9.3	–
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale		3.7	28.5
Proceeds from the sale of a real estate company		–	60.0
Cash flow from investment activities		**-94.8**	**15.2**
Free cash flow		**-115.7**	**-0.3**
Dividends	(18)	-77.2	-42.1
Cash receipts from short-term borrowings		172.0	–
Repayments from short-term borrowings		-95.1	-15.9
Cash receipts from long-term borrowings		150.0	81.4
Repayments from lease liabilities	(26)	-19.8	–
Interest paid		-14.2	-7.4
Interest received		2.2	1.3
Cash flow from financial activities		**117.9**	**17.3**
Change in cash and cash equivalents		**2.2**	**17.0**
Effect of exchange rates on cash and cash equivalents		0.3	-0.5
Change in cash and cash equivalents		**2.5**	**16.5**
Cash and cash equivalents at the beginning of the period	**(16)**	**43.8**	**27.3**
Cash and cash equivalents at the end of period	**(16)**	**46.3**	**43.8**

In fiscal 2019, there was a change in how figures are reported with regard to income from customer financing. Interest income from the financial result and other income were shifted to “Revenue”. Prior-year figures have been adjusted accordingly. Refer to the note “Changes in accounting under IFRS” for further information. → Page 83

Consolidated Segmentation

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

Consolidated Segmentation is part of the Notes to the Consolidated Financial Statements (see Note 31 → page 128).

SEGMENTATION (GEOGRAPHICAL SEGMENTS)

IN € MILLION

	Europe	Americas	Asia-Pacific	Consolidation	Group
2019					
Segment revenue					
Total revenue	2,236.9	684.6	76.7		2,998.2
Less intrasegment sales	-719.6	-205.6	-7.2		-932.4
	1,517.3	479.0	69.5		2,065.8
Intersegment sales	-138.3	-19.5	-6.9		-164.7
Revenue from external customers	**1,379.0**	**459.5**	**62.6**		**1,901.1**
EBIT	**161.5**	**-2.9**	**-1.9**	**-3.6**	**153.1**

	Europe	Americas	Asia-Pacific	Consolidation	Group
2018 adjusted					
Segment revenue					
Total revenue	2,159.5	876.0	90.6		3,126.1
Less intrasegment sales	-744.8	-443.0	-20.7		-1,208.5
	1,414.7	433.0	69.9		1,917.6
Intersegment sales	-165.8	-31.7	-10.1		-207.6
Revenue from external customers	**1,248.9**	**401.3**	**59.8**		**1,710.0**
EBIT	**175.6**	**-6.1**	**-5.0**	**-2.2**	**162.3**

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

SEGMENTATION (BUSINESS SEGMENTS)

IN € MILLION

	2019	2018 adjusted
Segment revenue from external customers		
Light equipment	485.3	455.7
Compact equipment	1,052.8	920.9
Services	382.5	351.6
	1,920.6	1,728.2
Less cash discounts	-19.5	-18.2
Total	**1,901.1**	**1,710.0**

In fiscal 2018, proceeds from customer financing were still recognized under other income (2018: EUR 0.9 million) and under financial income (2018: EUR 2.9 million). In order to improve transparency, this figure was uniformly allocated to the Services segment in 2019. The prior year has been adjusted.

Geographical areas

REVENUE ACCORDING TO COMPANY LOCATION

IN € MILLION

	2019	2018 adjusted
Germany	767.1	658.7
USA	345.3	292.9
Austria	129.4	160.8
Other	659.3	597.6
Wacker Neuson overall	**1,901.1**	**1,710.0**

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

	2019	2018
Germany	324.6	258.4
Austria	358.4	344.4
USA	63.3	54.7
Other	83.1	45.9
Wacker Neuson overall	**829.4**	**703.4**

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

Notes to the Consolidated Financial Statements

General information on the company

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

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

General information on accounting standards

The following Consolidated Financial Statements for fiscal 2019 were prepared for the company in accordance with the International Accounting Standards (IAS) as approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) as interpreted by the IFRS Interpretation Committee (IFRS IC) as adopted by the EU, and in supplementary compliance with the provisions set forth in Section 315a (1) of the German Commercial Code (HGB). All valid and binding standards for fiscal 2019 have been applied.

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

Wacker Neuson SE’s fiscal year corresponds to the calendar year. The Consolidated Financial Statements for fiscal 2019 (which include prior-year figures) were approved for publication by the Executive Board on March 9, 2020.

Changes in accounting under IFRS

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

The following standards, amendments to standards and interpretations are mandatory as of January 1, 2019.

Name	Description	Mandatory[1]
EU endorsement issued by the date of release for publication		
	Annual improvements (2015-2017)	Jan. 1, 2019
IAS 19	Amendments to IAS 19: Plan amendment, curtailment or settlement	Jan. 1, 2019
IAS 28	Amendments to IAS 28: Long-term investments in associates and joint ventures	Jan. 1, 2019
IFRIC 23	Uncertainty over income tax treatment	Jan. 1, 2019
IFRS 9, IAS 39 and IFRS 17	Changes to IFRS 9, IAS 39 and IFRS 17: possible effects of the IBOR reform on financial reporting	Jan. 1, 2020
IFRS 9	Amendments to IFRS 9: Prepayment features with negative compensation	Jan. 1, 2019
IFRS 16	Leases	Jan. 1, 2019

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

The standards applicable for the first time in the fiscal year under review did not have any significant impact on the accounting and valuation methods used by the Group, with the exception of IFRS 16.

IFRS 16

IFRS 16, “Leases”, replaces the previous standard for recognizing leases, IAS 17, “Leases”, and its accompanying interpretations.

Lessor accounting under IFRS 16 is substantially unchanged. IFRS 16 provides lessees with a uniform accounting approach for the treatment of lease arrangements.

The new standard includes two recognition exemptions for lessees: Leases of low-value assets and short-term leases (i.e. leases with a lease term of twelve months or less).

At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

(a) Impact of the initial application of IFRS 16

The Wacker Neuson Group applied IFRS 16 for the first time on January 1, 2019 using the modified retrospective approach. For the Wacker Neuson Group, the initial application primarily affected leasing contracts that were previously classified as operating leases.

Leasing contracts with a term of twelve months or less and whose term will expire within twelve months from the date of initial application plus leasing contracts where the underlying asset is of a low value have not been recognized on the balance sheet in accordance with the exemption option for all asset categories in IFRS 16.5. The Wacker Neuson Group has elected to apply the exemption option of IFRS 16.15 and recognizes lease and non-lease components collectively as a single lease component in accordance with IFRS 16. Furthermore, the Group has applied the practical expedient IFRS 16.C3(b) and does not reassess contracts that were previously identified as not containing leases in accordance with IAS 17 “Leases” in combination with IFRIC 4, “Determining Whether an Arrangement Contains a Lease”, to assess whether they are leases in accordance with the IFRS 16 definition of a lease. Refer to “Accounting and valuation methods” in these Notes for more information on the accounting methods applied since January 1, 2019. → Page 90

The carrying amount for all contracts is recognized as if the standard applied from the commencement date. The incremental borrowing rate applicable at the time of initial application was applied (IFRS 16.C8(b)(i)). The volume-weighted average interest rate was around 3.3 percent at January 1, 2019. In the individual contracts, the interest rate was determined based on the remaining term. When measuring right-of-use assets at the date of initial application, the initial direct costs were excluded in accordance with IFRS 16.C10(d). Comparative information for the prior year’s closing date of December 31, 2018 was not modified in accordance with IFRS 16.C7. At the time of initial application of IFRS 16, there were no onerous leases. As such, there was no need to recognize impairment losses on right-of-use assets. Liabilities from leases were measured at the present value of the remaining lease payments and discounted to January 1, 2019 using the incremental borrowing rate.

As a result of initial application of this standard, right-of-use assets in the amount of EUR 69.3 million and lease liabilities in the amount of EUR 74.0 million were recognized on the consolidated balance sheet at January 1, 2019. The difference of EUR 4.7 million between the two line items is due to the fact that the right-of-use assets were valued as if the standard applied from the commencement date, and recognized in net profit/loss after considering deferred taxes in the amount of EUR 1.3 million.

The reconciliation of off-balance-sheet lease obligations as at December 31, 2018 to the balance sheet lease liabilities as at January 1, 2019, taking into account the finance lease liabilities from the sale-and-leaseback transaction in France in 2018, is shown below:

RECONCILIATION OF LEASE LIABILITIES

IN € MILLION

	Jan. 1, 2019
Off-balance-sheet lease and rental obligations at Dec. 31, 2018	**82.3**
of which rental obligations (rental and service agreements)	69.3
of which lease obligations (vehicles, hardware, other)	13.0
Expenses from service agreements	-10.8
Short-term leases with a term of 12 months or less	-1.4
Leases for low-value assets	-0.8
Operating lease and rental obligations at Jan. 1, 2019 (gross amount without discounting)	**69.3**
Volume-weighted average incremental borrowing rate at Jan. 1, 2019	**3.3%**
Operating lease and rental obligations at Jan. 1, 2019 (discounted)	**65.5**
Reasonably certain renewal and termination options not included in the operating lease obligations at Dec. 31, 2018	4.5
Residual value guarantees	0
Non-lease components	3.9
Lease liabilities resulting from initial application of IFRS 16 at Jan 1, 2019	**73.9**
Finance lease liabilities at Jan. 1, 2019	4.1
Total lease liabilities at Jan. 1, 2019	**78.0**

This change to the accounting method had the following impact on the balance sheet items listed below at January 1, 2019:

LEASES ON THE BALANCE SHEET

IN € MILLION

	Jan. 1, 2019
ASSETS	
Non-current assets	
Right-of-use assets – land and buildings	57.8
Right-of-use assets – machinery and equipment	0.1
Right-of-use assets – office and other equipment	11.4
Deferred tax assets	1.3
Total	**70.6**
EQUITY AND LIABILITIES	
Net profit/loss	-3.4
Long-term lease liabilities	51.3
Short-term lease liabilities	22.7
Total	**70.6**

Following the initial application of IFRS 16 “Leases”, long- and short-term lease liabilities are recognized in separate lines in the balance sheet for comparative reporting periods. In fiscal 2019, long-term finance lease liabilities from the sale-and-leaseback transactions in France in the amount of EUR 2.6 million were reclassified from the “non-current financial liabilities” line to the “long-term lease liabilities” line (December 31, 2018: EUR 217.3 million before the adjustment; EUR 214.7 million after the adjustment). At the same time, short-term finance lease liabilities from the sale-and-leaseback transaction in France in the amount of EUR 1.4 million were reclassified from the “Current portion of long-term borrowings” line to the “Short-term lease liabilities” line (December 31, 2018: EUR 1.4 million before the adjustment; EUR 0.0 million after the adjustment). In 2019, non-current financial liabilities from sale and leaseback in the amount of EUR 1.4 million were included in the long-term lease liabilities. Current

financial liabilities from sale and leaseback in the amount of EUR 1.6 million were included in the short-term lease liabilities.

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Long-term lease liabilities	66.9	2.6
Short-term lease liabilities	25.2	1.4
Total	**92.1**	**4.0**

For information on the impact of the application of IFRS 16 on the consolidated income statement and the consolidated balance sheet in 2019, refer to item 26 in these Notes. → Page 122

Furthermore, the introduction of IFRS 16 increased cash flow from operating activities by EUR 22.7 million while at the same time reducing cash flow from financing activities by the same amount. This shift is attributable to the change in the classification of lease payments. In accordance with IAS 17, payments made for “leases classified as operating leases” in previous years were recognized under cash flow from operating activities.

Segment assets at December 31, 2019 increased as a result of the change to the accounting method. Lease assets are now reported under segment assets. The following segments are affected:

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

	Dec. 31, 2019	Jan. 1, 2019
Germany	40.3	26.2
USA	9.2	5.1
Austria	4.2	4.1
Other	29.1	33.9
Wacker Neuson total	**82.8**	**69.3**

The initial application of IFRS 16 did not have a material impact on other income or earnings per share for fiscal year 2019.

(b) Application of practical expedients

The Group made use of the following practical expedients in applying IFRS 16 for the first time:

- Application of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments as to whether a lease is onerous
- Recognition of leases that have a remaining term of 12 months or less at January 1, 2019 as short-term leases
- Exclusion of initial direct costs in the measurement of right-of-use assets at the time of initial application
- Use of hindsight in determining the lease term for contracts that contain options to renew or terminate the lease

The Group decided not to reassess lease contracts entered into before the transition date to determine whether an arrangement is (or contains) a lease at the time of initial application. Instead, it has chosen to continue to use the assessment previously made in accordance with IAS 17 and IFRIC 4.

IFRIC 23

The interpretation clarifies the requirements for the recognition and measurement of uncertain income tax items. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. After examination of the tax matters, the application of IFRIC 23 did not have any material effect.

IFRS 9, IAS 39 and IFRS 17 (IBOR reform)

The International Accounting Standards Board (IASB) has issued the Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7) as a first reaction to the potential effects of the IBOR reform on financial reporting. The amendments are effective for reporting periods beginning on or after January 1, 2020; earlier application is permitted. IBOR are interest reference rates such as LIBOR, EURIBOR and TIBOR, which represent the cost of obtaining unsecured funding, in a particular combination of currency and maturity and in a particular interbank term lending market. The IBOR reform could result in significant changes to the existing contracts with the following consequences:

- Derecognition of ”existing” financial assets/liabilities and
- Recognition of ”new” financial assets/liabilities

If derivatives are derecognized as a result of the IBOR reform, the designated hedging instrument could no longer exist; with the consequence that hedge accounting must be discontinued. In response to the existing uncertainty, the IASB published transitional provisions for hedge accounting on September 26, 2019. The amendments are intended to facilitate the use of hedge accounting in light of the IBOR reform and are to be applied for reporting years beginning on or after January 1, 2020. The amendments allow hedge relationships designated in the past to be continued until the uncertainties arising from the IBOR reform have been clarified. The Group is applying these hedge accounting exemptions early for fiscal 2019. For details in relation to interest rate hedging of the USD promissory note (Schuldschein), refer to item 29 “Additional information on financial instruments” in these Notes. In addition, the IASB is still holding further discussions on possible additions that could possibly have an impact on the consolidated financial statements.

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[1]
EU endorsement issued by the date of release for publication		
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material	Jan. 1, 2020
	Framework concept: Changes in references to the framework in IFRS	Jan. 1, 2020
EU endorsement still outstanding		
IFRS 3	Amendments to IFRS 3: Changes to clarification of the definition of a business	Jan. 1, 2020
IFRS 17	Insurance contracts	Jan. 1, 2021
IAS 1	Amendments to IAS 1: Classification of debt as current or noncurrent (issued on January 23, 2020)	Jan. 1, 2022

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

The amendments to IAS 1 and 8 lead to further granularity of the definition of the term "material" under IFRS. Information is material if it can reasonably be expected that its omission, incorrect presentation or concealment could impact the decisions of the primary addressees of multi-purpose financial statements, who take these decisions based on such financial statements offering financial information for a specific company. The Group believes that initial application of these amendments will not have any material effect on its Consolidated Financial Statements.

The changes in IFRS 3 clarify the definition of a business and aim to resolve any differences which arise if a company determines whether it has acquired a business or a group of assets. The Group believes that initial application of these amendments will not have any material impact on its accounting and valuation methods.

The amendments to IFRS 9, IAS 39 and IFRS 7 (interest rate benchmark reform) can be interpreted as follows: Specific hedge accounting regulations have been amended so that entities can apply these regulations under the assumption that the benchmark interest rate on which the hedged cash flows and the cash flows from the hedging instrument are based is not changed by the reform of the benchmark interest rate. Application of these amendments is mandatory for all hedges that are affected by the interest rate benchmark reform. The Group believes that first time application of these amendments will not have any material impact on its accounting and valuation methods.

Initial application of the other standards and interpretations mentioned is unlikely to substantially change the current accounting and valuation methods used by the Group.

Changes to accounting and valuation methods

New balance sheet item: Investments

In 2019, the Group acquired a minority shareholding in the amount of EUR 8.9 million (2018: EUR 0.0 million) in a company. The purpose of this was to reinforce its US sales network. In addition, the Group still holds an equity investment in an unlisted company from the previous year in the amount of EUR 2.6 million (2018: EUR 3.0 million). The purpose of the company is to invest in innovative start-ups. In order to improve transparency and readability, a new balance sheet item "Investments" has been added relative to the previous year. This is a method change within the scope of IAS 8, so the figures and notes for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED BALANCE SHEET – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted	Dec. 31, 2018
Investments	11.5	3.0	0.0
Other non-current financial assets	94.9	75.8	78.8

New balance sheet item: Contract liabilities

In addition to fixing defects that existed at the time of sale, the Group provides extended warranties (contract liabilities). These service-type warranties are sold either separately or bundled together with the sale of light or compact equipment. In addition, as part of telematics transactions, the Group also provides services over a period, which customers mostly pay for in advance. Compared to the previous year, the Group is increasingly promoting this type of business model in order to actively build customer loyalty. As a result of increasing materiality, a separate balance sheet item has been added for contract liabilities from such business agreements. This is a method change within the scope of IAS 8, so the figures and notes for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED BALANCE SHEET – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted	Dec. 31, 2018
Contract liabilities	9.4	6.9	0.0
Other current non-financial liabilities	50.1	75.5	82.4

New balance sheet item: Income tax liabilities

In order to provide readers of the financial statements with improved transparency for the total income tax liabilities at a glance, a separate balance sheet item "Income tax liabilities" has been included. This item comprises the former item "Tax liabilities" as well as tax deferrals and liabilities which were previously carried under other current liabilities. This is a method change within the scope of IAS 8, so the figures and notes for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED BALANCE SHEET – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted	Dec. 31, 2018
Income tax liabilities	19.0	29.2	0.0
Tax liabilities	0.0	0.0	1.0
Other current non-financial liabilities	50.1	54.2	82.4

Disclosure of income from customer financing

Following a detailed analysis of ordinary business activities, and reflecting the growing importance of financing services to customers within the Group, income from customer financing has been uniformly reported as revenue; this reclassification should help to clearly delineate between the operating business and financing activities. Accordingly, profit in the amount of EUR 0.3 million (2018: EUR 0.9 million) has been reclassified from other income to revenue. In the reference

year, income from customer financing was carried under interest and similar income in the amount of EUR 2.6 million (2019: EUR 3.5 million), which is now carried in a uniform manner under revenue in 2019. This is a method change within the scope of IAS 8, so the figures for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED INCOME STATEMENT – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted	Dec. 31, 2018
Revenue	1,901.1	1,710.0	1,706.5
Other income	17.6	14.2	15.1
Financial income	5.6	5.4	8.0

CONSOLIDATED CASH FLOW STATEMENT – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted	Dec. 31, 2018
Financial result	15.6	14.1	11.5
Interest received	2.2	1.3	3.9

CONSOLIDATED SEGMENTATION – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

IN € MILLION

	2019	2018 adjusted	2018
Total revenue – Americas	684.6	876.0	872.5
EBIT – Americas	-2.9	-6.1	-8.7
Services	382.5	351.6	348.1
Revenue according to company location – USA	345.3	292.9	289.4

Reclassification of expense payments for service technicians

In fiscal 2019, expenses for service technicians in the amount of EUR 12.2 million (2018: EUR 19.1 million) are reported under cost of sales (previously: personnel costs were reported under cost of sales while expenses for pro rata material costs were reported under sales and service expenses). This reclassification was carried out in order to disclose costs in a uniform way in line with full costing and to report business activities more clearly under earnings. This is a method change within the scope of IAS 8, so the figures for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

CONSOLIDATED INCOME STATEMENT – ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

IN € MILLION

	2019	2018 adjusted	2018
Cost of sales	-1,426.2	-1,251.6	-1,232.5
Sales and service expenses	-224.8	-200.6	-219.7

Closing date

The closing date for all Group members included in the Consolidated Financial Statements is December 31 of the respective year. The current accounting period is January 1, 2019 through December 31, 2019.

Consolidation structure → See page 88

In addition to the parent company, Wacker Neuson SE, the Consolidated Financial Statements as at December 31, 2019 include the following affiliates controlled by the Group. The Group is deemed to control a company if it carries the risks associated with or the rights to fluctuating returns on its shareholding in the company, and if it can also use its power of control over the company to influence these returns. As a rule, control is exercised through the following shareholdings:

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a % direct	indirect	Equity IN € K	Segment
	Germany							
1	Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen	PXX	Germany	100		55,187	Europe
2	Wacker Neuson PGM Verwaltungs GmbH	Reichertshofen	Other	Germany		100	35	Europe
3	Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich	SXX	Germany	100		40,980	Europe
4	Wacker Neuson SGM Verwaltungs GmbH	Munich	Other	Germany		100	34	Europe
5	Wacker Neuson Aftermarket & Services GmbH	Munich	Logistics	Germany	100		33,508	Europe
6	Weidemann GmbH	Diemelsee-Flechtdorf	PXX	Germany	100		71,498	Europe
7	Kramer-Werke GmbH	Pfullendorf	PXX	Germany	5	90	78,410	Europe
8	Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf	Other	Germany		95	7,120	Europe
9	Wacker Neuson Grundbesitz Verwaltungs GmbH	Pfullendorf	Other	Germany		95	28	Europe
10	Wacker Neuson Immobilien GmbH	Überlingen	Other	Germany		95	3,160	Europe
	Rest of Europe							
11	Wacker Neuson ApS	Karlslunde	SXX	Denmark	100		-1,396	Europe
12	Wacker Neuson S.A.S.	Brie-Comte-Robert (near Paris)	SXX	France	100		6,734	Europe
13	Wacker Neuson Ltd.	Stafford (near Birmingham)	SXX	UK	100		13,371	Europe
14	Wacker Neuson srl con socio unico	San Giorgio	SXX	Italy	100		2,255	Europe
15	Wacker Neuson B.V.	Amersfoort	SXX	Netherlands	100		2,765	Europe
16	Wacker Neuson Belgium BVBA	Asse-Mollem	SXX	Belgium		100	1,236	Europe
17	Wacker Neuson AS	Hagan (near Oslo)	SXX	Norway	100		-6	Europe
18	Wacker Neuson Beteiligungs GmbH	Hörsching (near Linz)	Holding	Austria	100		154,264	Europe
19	Wacker Neuson Linz GmbH	Hörsching (near Linz)	PXX	Austria		100	149,336	Europe
20	Wacker Neuson Kragujevac d.o.o.	Kragujevac	PXX	Serbia	100		3,112	Europe
21	Wacker Neuson Lapovo d.o.o.	Lapovo	Other	Serbia		100	1,465	Europe
22	Wacker Neuson GmbH	Vienna	SXX	Austria	100		14,559	Europe
23	Wacker Neuson Sp. z.o.o.	Jawczyce (near Warsaw)	SXX	Poland	100		9,272	Europe
24	Wacker Neuson GmbH	Moscow	SXX	Russia	100		2,031	Europe
25	Wacker Neuson AB	Arløv (near Malmö)	SXX	Sweden	100		1,242	Europe
26	Drillfix AG	Volketswil (near Zurich)	Other	Switzerland	100		226	Europe
27	Wacker Neuson AG	Volketswil (near Zurich)	SXX	Switzerland	100		17,461	Europe
28	Wacker Neuson, S.A.	Torrejón de Ardoz (near Madrid)	SXX	Spain	100		3,240	Europe
29	Wacker Neuson (Pty) Ltd	Florida (near Johannesburg)	SXX	South Africa	100		777	Europe
30	Wacker Neuson s.r.o.	Prague	SXX	Czech Republic	100		3,695	Europe
31	Wacker Neuson s.r.o.	Lučenec	SXX	Slovakia	100		111	
32	Wacker Neuson Makina Limited Şirketi	Tuzla (near Istanbul)	SXX	Turkey	100		168	Europe
33	Wacker Neuson Kft.	Törökbálint (near Budapest)	SXX	Hungary	100		910	Europe
	Americas							
34	Wacker Neuson Máquinas Ltda.	Itaiba (near São Paulo)	SXX	Brazil	100		-1,215	Americas
35	Wacker Neuson Ltda.	Huechuraba (near Santiago)	SXX	Chile	100		899	Americas
36	Wacker Neuson Ltd.	Mississauga (near Toronto)	SXX	Canada	100		7,126	Americas
37	Wacker Neuson S.A. de C.V.	Mexico City	SXX	Mexico	100		2,316	Americas
38	Wacker Neuson Corporation	Menomonee Falls[2]	Holding	USA	100		125,961	Americas
39	Wacker Neuson Production Americas LLC	Menomonee Falls[2]	PXX	USA		100	50,663	Americas

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a % direct	indirect	Equity IN € K	Segment
40	Wacker Neuson Sales Americas LLC	Menomonee Falls[2]	SXX	USA		100	56,676	Americas
41	Lightning Rod Investments LLC	Menomonee Falls[2]	Other	USA		100	8,902	Americas
42	Wacker Neuson Bogotá S.A.S.	Bogotá	SXX	Colombia	100		-1,931	Americas
43	Wacker Neuson Lima S.A.C.	Lima	SXX	Peru	99	1	-367	Americas
	Asia-Pacific							
44	Wacker Neuson Pty Ltd.	Springvale (near Melbourne)	SXX	Australia	100		2,934	Asia-Pacific
45	Wacker Neuson Limited	Hong Kong	SXX	Hong Kong	100		1,504	Asia-Pacific
46	Wacker Neuson Machinery Trading (Shenzhen) Ltd. Co.	Shenzhen	SXX	China		100	–[3]	Asia-Pacific
47	Wacker Neuson Shanghai Ltd.	Shanghai	SXX	China	100		-3,750	Asia-Pacific
48	Wacker Neuson Machinery (China) Co., Ltd.	Pinghu	PXX	China	100		7,855	Asia-Pacific
49	Wacker Neuson Machinery Trading (Pinghu) Co., Ltd.	Pinghu	SXX	China		100	596	Asia-Pacific
50	Wacker Neuson (Singapore) PTE. LTD	Singapore	SXX	Singapore	100		1,714	Asia-Pacific
51	Wacker Neuson Equipment Private Ltd.	Bangalore	SXX	India	100		1,151	Asia-Pacific
52	Wacker Neuson Manila, Inc. i.L.	Dasmariñas (near Manila)	PXX	Philippines	100		7,092	Asia-Pacific
53	Wacker Neuson Holding Limited	Samutprakarn (near Bangkok)	Holding	Thailand	100		-32	Asia-Pacific
54	Wacker Neuson Limited	Samutprakarn (near Bangkok)	SXX	Thailand		100	532	Asia-Pacific

[1] SXX = Sales company / PXX = Production company / Other = generally refers to real-estate companies or general partners (Komplementär) in KG companies.
[2] Near Milwaukee.
[3] Company equity is included in the equity of the parent company (no. 45).

The following changes were made to the consolidation structure in fiscal 2019:

The company Wacker Neuson Machinery Trading (Pinghu) Co., Ltd was founded in January 2019. This is a wholly owned affiliate of Wacker Neuson Machinery (China) Co., Ltd. The company was included in the consolidation structure as of January 1, 2019.

The company Lightning Rod Investments LLC, USA, was founded in February 2019. It is a wholly owned affiliate of the Wacker Neuson Corporation. The company was included in the consolidation structure as of February 1, 2019.

In June 2019, the dormant company Wacker Neuson ImmoWest 2 GmbH was merged with Wacker Neuson Aftermarket & Services GmbH.

Wacker Neuson Belgium BVBA, Belgium, was founded on December 6, 2017 as a wholly owned affiliate of Wacker Neuson B.V., Netherlands. On January 1, 2019, the company in Belgium took over the operational business of the former affiliate in the Netherlands and has therefore been included in the consolidation structure as a separate company.

No acquisitions or disposals of fully consolidated companies were made in fiscal 2019.

The Group does not hold any investments in associated companies or joint ventures that are recognized at equity on the balance sheet.

Consolidation principles

The Consolidated Financial Statements are based on the annual financial statements of the domestic and foreign companies included in the Group, which were prepared in accordance with IFRS to the year ending December 31, 2019. The annual financial statements of these companies were prepared according to the uniform accounting and valuation methods applied by the Group.

Companies are consolidated using the acquisition method. For first-time consolidation of Group members, all identifiable assets, liabilities and contingent liabilities of the acquired companies are recognized at their fair values.

During initial consolidation of acquired companies that constitute a business, positive balances remain after reevaluation of all hidden assets and liabilities. These are capitalized as goodwill resulting from equity consolidation and are subject to an annual impairment test. To carry out the impairment test, this goodwill is allocated to the cash-generating units of the Group likely to benefit from the merger.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Group inventories, rental equipment and fixed assets are adjusted to reflect intra-Group profits and losses.

Consolidation transactions affecting income and consolidation transactions that do not affect income are subject to deferred tax.

Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle, is held primarily for the purpose of trading, is expected to be realized within twelve months after the reporting period, or is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is expected to be settled within the normal operating cycle, is held primarily for the purpose of trading, is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies all other liabilities as non-current.

Exchange differences

Transactions carried out in foreign currencies are recognized at the exchange rate applicable at the time of the transaction. Nominal assets and liabilities in foreign currencies are converted at the exchange rate effective at the balance sheet date. The resulting translation differences are recognized in the income statement. This excludes monetary items that are designated as part of the Group's net investment in a foreign operation. These are disclosed in other income until the disposal of the net investment.

The annual financial statements of consolidated Group members that are prepared in foreign currencies are translated into euros according to the concept of the functional currency. The functional currency is taken to refer to the relevant national currency, with the exception of the Philippines, Peru (US dollar) and Hungary (euro). Thus, assets and liabilities are translated at the spot rates of exchange effective at the balance sheet date, whereas income and expenses are translated at the average annual rates of exchange, provided that the exchange rates did not fluctuate strongly during the period under review.

Translation differences resulting from the conversion of foreign affiliate figures into the Group's currency, which arise from the application of different exchange rates for the balance sheets and income statements, are recognized in other income and recorded as a separate item of equity with no impact on the financial result.

The exchange rates of the main currencies relevant to the Group are as follows:

1 euro equals		2019	2018	2019	2018
		Annual average rates		Rates at balance sheet date[1]	
Australia	AUD	1.6103	1.5787	1.5995	1.6220
Brazil	BRL	4.4154	4.2997	4.5157	4.4440
Chile	CLP	785.9871	755.4823	843.5400	793.4500
China	CNY	7.7331	7.8046	7.8205	7.8751
Denmark	DKK	7.4661	7.4525	7.4715	7.4673
United Kingdom	GBP	0.8772	0.8840	0.8508	0.8945
Hong Kong	HKD	8.7691	9.2753	8.7473	8.9675
India	INR	78.8202	80.7122	80.1870	79.7298
Japan	JPY	122.0167	130.5563	121.9400	125.8500
Canada	CAD	1.4848	1.5296	1.4598	1.5605
Colombia	COP	3673.6098	3478.4766	3688.1000	3719.2000
Mexico	MXN	21.5484	22.7005	21.2202	22.4921
Norway	NOK	9.8491	9.5873	9.8638	9.9483
Peru	PEN	3.7348	3.8833	3.7237	3.8704
Philippines	PHP	57.9520	62.2957	56.9000	60.1130
Poland	PLN	4.2972	4.2592	4.2568	4.3014
Russia	RUB	72.3528	73.8513	69.9563	79.7153
Sweden	SEK	10.5910	10.2560	10.4468	10.2548
Switzerland	CHF	1.1123	1.1565	1.0854	1.1269
Serbia	RSD	117.8532	118.1734	117.5430	118.3270
Singapore	SGD	1.5268	1.5941	1.5111	1.5591
South Africa	ZAR	16.1677	15.5678	15.7773	16.4594
Thailand	THB	34.7327	38.2107	33.4150	37.0520
Czech Republic	CZK	25.6688	25.6378	25.4080	25.7240
Turkey	TRY	6.3632	5.6736	6.6843	6.0588
USA	USD	1.1192	1.1836	1.1234	1.1450

[1] Rates at the balance sheet date: rates on the last working day of the year.

Accounting and valuation methods

Revenue and earnings recognition

Revenue is recognized when control over distinct goods or services is passed to the customer, i.e. when the customer has the ability to direct the use of the transferred goods or services and substantially obtains the remaining benefits from the asset. This presupposes that an agreement with enforceable rights and obligations has been concluded and, among other things, that receipt of the respective consideration is probable, taking into account the customer's credit rating. The revenue corresponds to the transaction price to which Wacker Neuson is likely to be entitled. Variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty associated with the variable consideration has been resolved.

Revenue from the sale of light and compact equipment
Revenue from the sale of light and compact equipment is recognized at the point when control is transferred to the purchaser, usually upon delivery of the goods. Invoices will be issued at that time, while payment terms usually provide for payment within 30 days of an invoice being issued.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. extended warranties). In determining the transaction price for the sale of light and compact equipment, the Group considers the effects of variable consideration,

the existence of significant financing components, and, if applicable, any non-cash consideration and consideration payable to the customer.

(a) Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained from inclusion in the transaction price until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of light and compact equipment grant customers a take-back and buy-back obligation on the part of Wacker Neuson, or volume rebates or discounts. These give rise to variable consideration.

- Take-back obligations
  Certain contracts provide a customer with the right to return goods at a predefined value which is less than the original selling price. According to the requirements of IFRS 15, this is a sales option for the customer in which the Group acts as writer of the option. Based on the contract structures, the Group currently does not believe that the customer has an economic benefit from exercising the option and accounts for the take-back obligation according to the requirements of IFRS 15 for return rights. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. Based on its historical experience with such transactions, the Group considers the probability of its take-back obligations to be insignificant. Therefore, no refund liabilities or right-of-return assets are recorded. Information on this is provided in Note 28, “Other financial liabilities”. → Page 124

- Volume and sales rebates
  The Group provides retrospective rebates to certain customers once the quantity of products purchased during the period exceeds a volume threshold or particular revenue level specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-quantity or volume threshold and the expected value method for contracts with more than one quantity or volume threshold. The selected method that best predicts the amount of variable consideration is thus primarily driven by the number of quantity or volume thresholds contained in the contract. The Group already includes the variable price components when recognizing revenues from the sale of products if it is likely that the customer will meet the agreed targets. The regulations for constraining estimates of variable consideration are considered in this regard. A refund liability is formed in the same amount for the anticipated future discounts.

  In addition, the Group provides sales support to selected customers in the form of prepaid bonuses. These are classified as assets under the balance sheet items “Other non-current financial assets” and “Other current financial assets”. Here too, the Group already includes the variable price components when recognizing revenues from the sale of products if it is likely that the customer will meet the agreed targets during the term of the agreement, and reduces the receivable from the prepaid bonus to the customer in the same amount.

- Discounts
  The Group grants certain customers reduced prices if payment is made within defined shorter periods (discounts). Discounts granted are offset against amounts payable by the customer. The Group identifies the transaction price while considering the most probable amount and already includes this variable price component discount when recognizing revenues if, based on the customer’s past payment behavior, it can be assumed that the customer will deduct the discount amount that has been granted. The regulations for constraining estimates of variable consideration are considered in this regard. A refund liability is formed in the same amount for the anticipated future discounts.

(b) Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Advance payments from customers are recognized under the balance sheet item “Contract liabilities”.

The Group offers customers financing services through financing partners. The interest payable by the Group to financing partners is deferred from revenue as a revenue reduction.

For contracts where the period between the transfer of the goods or services and the payment date exceeds twelve months and a significant benefit from the financing arrangement accrues to the customer or to Wacker Neuson, the consideration is adjusted by the time value of money. The Group otherwise waives the option to adjust for short-term periods under the practical expedients provided under IFRS 15. As the Group constantly expands its activities as a financing partner for its customers (e.g. through long-term payment terms), the financing components initially deferred are carried as revenue over the agreed period, albeit separate from the revenue from contracts with customers (other revenue). The deferred financing components are reported under contractual liabilities in the balance sheet.

Revenue from the sale of spare parts
Revenue from the sale of spare parts is recognized at the point when control is transferred to the purchaser, usually upon delivery of the goods. Invoices will be issued at that time, while payment terms usually provide for payment within 30 days of an invoice being issued. Revenue from the sale of spare parts is reported under the services segment.

Warranty obligations
The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties according to IFRS 15 are accounted for under IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”. Refer to “Other provisions” for details of the accounting policy on warranty provisions.

In addition to fixing defects that existed at the time of sale, the Group provides extended warranties (contract liabilities). These service-type warranties according to IFRS 15 are sold either separately or bundled

together with the sale of light or compact equipment. Contracts for bundled sales of light or compact equipment and a service-type warranty comprise two performance obligations because the promises to transfer the light or compact equipment and to provide the service-type warranty are capable of being distinct. Using the relative stand-alone selling price method, a portion of the transaction price is allocated to the service-type warranty and deducted from the transaction price for the sale of the products. Extended warranties are recognized under the balance sheet item “Contract liabilities”.

Revenue from the rendering of services

Revenue from services is recognized on a straight-line basis over the period during which the services are provided or – if the service is not provided on a straight-line basis – upon performance of the service. Invoices are issued in accordance with the terms of the contract, with payment terms usually providing for payment within 30 days of an invoice being issued. In addition to rental income, income from the provision of services mainly comprises income from customer financing, the telematics business, extended warranties and the spare parts business. If a customer makes an advance payment for services to be rendered in the future, this is generally to be reported as a contractual liability. Deferred advance payments for services to be rendered in the future are recognized under the balance sheet item “Contract liabilities”.

Revenue from the rental of equipment and accessories

The Group recognizes revenue from the short-term rental of equipment and accessories on a straight-line basis over the rental term because the customer simultaneously receives and consumes the benefits provided by the Group. In determining the transaction price from the rental of equipment and accessories, the Group considers the effects of variable consideration similar to the sale of light and compact equipment. The average rental period is around 15 days. For reasons of materiality and given the very short periods of time involved, revenue of this nature does not differentiate between performance obligations that are satisfied “at a point in time” and those that are satisfied “over time”. Invoices are issued in accordance with the terms of the contract, with payment terms usually providing for payment within 30 days of an invoice being issued.

Realization of expenses

Operating expenses are recognized in profit or loss upon execution of the service or at the date of their origin. Interest expense is recognized on an accrual basis taking the outstanding principal of the loan and the applicable interest rate into account.

Determining fair value

The Group identifies and values certain financial instruments (such as derivatives, securities, investments and plan assets under IAS 19) at fair value at every closing date in line with applicable guidelines. Financial instruments are also recognized at fair value. Refer to item 29 “Additional information on financial instruments” → page 125 in these Notes for additional information on fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the business transaction takes place

- on the principle market for the asset or liability
- or, in the absence of a principle market, on the most advantageous market for the asset or liability.

The Group must have access to the principle market or the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy according to IFRS 13, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Prices quoted in active markets (not adjusted)
- Level 2: Evaluation techniques where the lowest-level input significant to the fair value measurement is observable either directly or indirectly on the market
- Level 3: Evaluation techniques where the lowest-level input significant to the fair value measurement is not observable on the market

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between fair-value levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The corporate functions responsible (e.g. Corporate Real Estate, Corporate Treasury) in consultation with the Board member responsible determine the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets. The engagement of external valuers is reviewed annually by the relevant corporate functions at the Group on the basis of observed market indicators to determine whether significant changes have occurred in the general conditions. An external valuer is engaged after consultation with and approval from the Board member responsible. Selection criteria include market knowledge, reputation, independence and compliance with professional standards. Valuers are normally rotated every three years. The corporate function managers and Board member responsible decide, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each individual case.

At each reporting date, the Group’s corporate functions analyze the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group’s accounting policies. For this analysis, the responsible corporate functions verify the major inputs applied in the latest valuation by aligning the information in the valuation computation with contracts and other relevant documents.

The responsible corporate functions, in conjunction with the Group's external valuers, also compare the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. The valuation results are presented to the Audit Committee and the Group's auditors during the year. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Property, plant and equipment
Construction in progress is carried at cost, less any accumulated impairment losses. Plant and equipment is stated at cost, net of accumulated scheduled straight-line depreciation and accumulated impairment losses. An item of property, plant and equipment is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Financing costs are capitalized provided there is a qualified underlying asset.

Investment properties
Land and buildings held for the purpose of generating rental revenue are measured at cost using the acquisition cost method. Straight-line depreciation is calculated using the pro rata temporis method.

Intangible assets
Intangible assets acquired independently of a business combination are measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

For subsequent valuations of intangible assets, the useful lives of intangible assets are assessed as either limited or unlimited.

Intangible assets with limited lives are subject to scheduled amortization over the useful estimated economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a limited useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with limited lives is recognized in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with unlimited useful lives are tested for impairment at least once a year, either individually or at the cash-generating unit level. These intangible assets are not subject to scheduled amortization. The assessment of unlimited useful life is reviewed annually to determine whether the unlimited life continues to be supportable. If not, the change in useful life from unlimited to limited is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Financing costs are capitalized provided there is a qualified underlying asset.

Leases

From January 1, 2019 onwards, leases are recognized as right-of-use assets with a corresponding lease liability as at the point in time when the leased object is available for use by the Group. Lease payments are apportioned between reduction of the lease liability and finance charges. Finance charges are recognized in profit or loss over the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is subject to straight-line depreciation over the shorter period – either the useful life or the term of the lease.

At contract inception, the Group assesses whether an agreement constitutes or contains a lease. This is deemed to be the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets

Assets and liabilities from leases are initially recognized at present value.

(a) Lease liabilities
Lease liabilities include the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments, less any lease incentives)
- Variable lease payments that depend on an index or (interest) rate
- Amounts expected to be paid under residual value guarantee by the lessee
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease

When calculating the present value of lease payments, the Group uses its incremental borrowing rate on the commencement date, as the interest rate on which the lease is based cannot be easily determined. After the commencement date, the amount of the lease liability is increased in order to do justice to the higher interest expense and reduced in order to do justice to the lease instalments paid. In addition the carrying amount of the lease liabilities is revalued in the event of changes to the lease, changes to the term of the lease, changes to the lease instalments (e.g. changes to future lease instalments as a result of a change to the index or interest are used to determine these payments) or in the event of a change to the assessment of a purchase option for the underlying asset.

(b) Right-of-use assets
Right-of-use assets are measured at cost, which comprises the following:

- The amount of the initial measurement of the lease liability
- All lease payments made at or before the commencement date, less any lease incentives received
- All initial direct costs incurred by the lessee
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

Right-of-use assets are subject to scheduled straight-line depreciation over the shorter period – either the useful life or the term of the lease.

If ownership of the leased item is transferred to the Group at the end of the term of the lease, or if the costs include exercising a purchase option, the depreciation is calculated based on the anticipated useful life of the leased item.

Right-of-use assets are also reviewed for impairment.

(c) Short-term leases and leases based on a low-value asset
The Group applies the short-term lease recognition exemption to all short-term leases (i.e. leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets (such as IT equipment, bicycles and small pieces of office furniture) that are considered to be of low value.

Lease instalments for short-term leases and for leases based on a low-value asset (which is generally an acquisition cost of less than EUR 5,000) are recorded as expenses on a straight-line basis over the term of the lease.

(d) Sale and leaseback
Between 2017 and 2018, the Group concluded a sale-and-leaseback agreement with financial institutions under IAS 17, where the leaseback was classified as a finance lease due to the repurchase option. According to IFRS 16, the head lease should continue to be treated as a lease. The contractual conditions are passed on "as is" (also including the purchase option) to selected dealers. From the Group's perspective, this in turn leads to classification as a finance lease, so the asset is immediately derecognized from the head lease and a lease receivable is recognized at the same time. This sales-supporting measure gives the dealer access to favorable interest conditions.

In fiscal 2019, new contracts have been concluded on the basis of the model described above. These are now accounted for in accordance with IFRS 16 and the associated liabilities are recognized as financial liabilities. Refer to item 21 "Long- and short-term financial liabilities" in these Notes for more detailed information. → Page 118

Rental
Rental equipment is carried at cost less accumulated scheduled straight-line depreciation (between five and eight years) and accumulated impairment losses. Rental equipment is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement. The residual values, useful lives and methods of depreciation of rental equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Inventories
Inventories of work in process and finished products, as well as raw materials and supplies, are valued at cost in accordance with IAS 2. To the extent that the cost of inventories is above fair value, they are written down to the lower net realizable value at the balance sheet date. The net realizable value corresponds to the estimated realizable sales price under normal business conditions, less the estimated manufacturing and sales costs. If the net realizable value of formerly written-down inventories has increased, corresponding write-ups will be made.

In determining acquisition costs, incidental acquisition costs are added and rebates on purchase prices are deducted. Cost of sales includes all expenses that are allocable either directly or indirectly to the manufacturing process.

Acquisition costs and cost of sales for inventories were, for the main part, determined on the basis of the FIFO method; in other words, on the assumption that those assets that were acquired first will be consumed first. The moving average cost method is also used to simplify valuation. The Group uses derivative financial instruments to hedge against currency risks arising from the purchase of inventories in foreign currencies (see "Derivative financial instruments" for details, → page 121).

Financial instruments and hedge accounting

(a) Financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other income, and fair value through profit or loss.

The classification of financial assets in the form of debt instruments at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in the "Revenue and earnings recognition" section.

In order for a financial asset in the form of a debt instrument to be classified and measured at amortized cost or fair value through other income, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model which has the aim of holding financial assets in order to collect contractual cash flows. Loans, receivables and other debt instruments are allocated to the "hold" business model in order to collect the contractual cash flows consisting of interest and principal.

In contrast, financial assets which are classified and measured at fair value under other income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

The assessment of whether contractual cash flows on debt instruments are solely payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortized cost, or fair value through other income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other income with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through other income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

An outstanding receivable vis-à-vis a foreign business, the discontinuation of which is neither planned nor likely in the foreseeable future, corresponds largely to part of the net investment in this foreign business. The nominal volume is USD 60.0 million and was issued by the German parent company to the US sales company Wacker Neuson Sales Americas LLC. Translation differences from this outstanding receivable that corresponds to part of a net investment in a foreign business are initially recognized under other income and, in the event that the net investment is sold, will be reclassified from equity to the income statement.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost are as follows:

- Receivables (extended payment terms) from dealers: Extended payment terms with a maturity of more than 360 days are granted to selected dealers to support sales. These are reported in the balance sheet under "Other non-current financial assets", as long as the maturity remains more than 360 days. As soon as the maturity falls below 360 days, the current portion is reclassified to the balance sheet item "Trade receivables". Material financing components reduce the initial recognition of the financial asset and are distributed over the agreed term in line with the effective interest rate method.

- Receivables from prepaid volume bonuses: Volume bonuses are paid in advance to selected US dealers to assist them with market penetration and development. The non-current portion is included under the item "Other non-current financial assets". At the same time, the current portion is reported under "Other current financial assets".
- Trade receivables: Financial receivables without a significant financing component from revenue and earnings recognition are reported under the item "Trade receivables".
- Cash and cash equivalents: These financial assets comprise cash on hand, checks and demand deposits.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the financial statement at fair value with net changes in fair value recognized in the income statement.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through other income. The Group has the following significant financial assets and liabilities, which are measured at fair value through profit or loss:

- Derivatives not treated according to hedge accounting criteria: The Group uses currency swaps to hedge the currency risk from loans issued internally between Group companies. The currency effects from the recognition of intra-Group foreign currency loans in the balance sheet are recognized in the financial result. The measurement of the derivatives used at fair value through profit or loss also means that these valuation results are recognized in the financial result. Depending on the market value, the derivatives are reported in the balance sheet either under "Other current financial assets" or under "Other current financial liabilities".

Financial assets designated at fair value through other income (equity instruments)
Upon initial recognition, the Group can elect to classify irrevocably equity investments it holds in other companies as equity instruments designated at fair value through other income if they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other income.

The Group elected to classify irrevocably its non-listed equity instruments under this category.

The Group has the following significant financial assets, which are measured at fair value through other income:

- Investments in pension funds: The Group holds investments in pension funds to secure the pension claims of former Executive Board members. These are not defined as plan assets according to IAS 19 and are not offset against the provision for pensions. The pension fund investments are reported under “Other non-current financial assets”.

- Minority shareholding in Austria: As an equity instrument, shares are held in an unlisted company in the amount of EUR 2.6 million (2018: EUR 3.0 million), which invests specifically in innovative startups. The aim of this investment is to give the company access to new technologies.

- Minority shareholding in North America: In 2019, the Group acquired a minority shareholding in the amount of EUR 8.9 million to reinforce its US sales network.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group’s consolidated financial statement) when:

- The rights to receive cash flows from the asset have expired.

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ”pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards associated with the asset, or (b) the Group has transferred or retained substantially none of the risks and rewards associated with the asset, but has transferred control of the asset.

If the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates whether and – if so – to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all of the risks and rewards associated with the asset, nor transferred control over the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are evaluated in due consideration of the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in three stages according to the requirements of IFRS 9.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is provided for ECLs that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Expenses arising from the allowance for ECLs are allocated to sales and service expenses.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience from trade receivables, adjusted for forward-looking factors specific to the debtors and the economic environment, to the extent that the current economic perspective or other macroeconomic parameters justify this. Alongside trade receivables, the Group voluntarily recognizes lifetime ECLs based on a simplified approach for the following financial assets:

- Receivables (extended payment terms) from dealers
- Receivables from finance leases as a lessor

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This reasonable expectation exists for the Group in the event that the customer files for insolvency.

(b) Financial liabilities
Financial liabilities are classified at initial recognition at amortized cost or at fair value through profit or loss. All financial liabilities are recognized initially at fair value. In the case of financial liabilities measured at amortized cost, directly attributable transaction costs are deducted upon initial recognition.

The Group’s financial liabilities include trade and other payables, liabilities to financial institutions (including loans and overdrafts), and derivative financial instruments.

Financial liabilities at fair value through profit or loss include derivative financial instruments entered into by the Group that are not designated as hedge instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in the income statement.

The Group uses currency swaps to hedge the currency risk from loans issued internally between Group companies. The currency effects from the recognition of intra-Group foreign currency loans in the balance sheet are recognized in the financial result. The measurement of the derivatives used at fair value through profit or loss also means that these valuation results are recognized in the financial result. Depending on the market value, the derivatives are reported in the balance sheet either under “Other current financial assets” or under “Other current financial liabilities”.

After initial recognition, liabilities to financial institutions (from loans and overdrafts) are subsequently measured at amortized cost using the EIR method.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

(c) Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks. Such derivative financial instruments are initially recognized at the date on which a derivative contract is entered into, as subsequently measured, at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. These kinds of financial transactions are concluded centrally and always have a corresponding underlying transaction.

Within the framework of the Group's risk management strategy and initiatives, various derivatives are used for the economic hedging of risks.

Derivative financial instruments that are not included in hedge accounting are measured at fair value through profit and loss. This relates exclusively to the currency swaps used to hedge the currency risk from loans issued internally between Group companies. There is no designation within a hedging relationship, as the underlying transactions are eliminated as part of consolidation procedures and only the earnings effect from the foreign exchange valuation remains in the consolidated earnings. The valuation result of the foreign exchange swaps is then also reported in the financial result and netted against the result from the foreign exchange valuation of the loans issued between the Group companies.

In addition, the Group uses forward exchange contracts to hedge planned internal purchases of goods. These are formally classified as hedges (hedge accounting) on inception of the foreign exchange forward transaction with the corresponding underlying transaction. In applying IFRS 9 for the first time, the Group exercised the accounting option to continue to account for hedge relationships in accordance with IAS 39 instead of the hedge accounting rules set out in section 6 of IFRS 9.

The hedge accounting requirements according to IAS 39 are met in these cases. In addition, the Group verifies the effectiveness of the hedge at its inception and also thereafter on a continual basis. The foreign exchange forwards utilized by the Group within the framework of its risk management strategy are recognized as cash flow hedges, whereby the effective portion from changes in fair value are reported under other income. The hedge-ineffective portion is directly recognized in the consolidated income statement. After the underlying transaction has taken place, the valuation results to date recognized directly in equity are allocated to inventories and then affect the cost of sales when the corresponding products are sold in future. Starting from the day of underlying transaction, these derivatives are also treated as separate ones and any further revaluations are recognized in profit or loss, netted against the foreign exchange valuation of the intercompany liability resulting from the originally hedged transaction.

In addition, the Group entered into a payer swap contract in the United States due to the partially variable interest rate on promissory notes (Schuldschein). That swap contract is designated as a hedging instrument under a cash flow hedge with the variable interest rate part of the promissory note (Schuldschein). The effective portion of changes in the fair value of the hedging instrument is now recognized under other income. Recycling takes place periodically by netting the interest payments from the swap and the promissory note (Schuldschein).

Research and development
Research costs are expensed as incurred. Development expenditures on an individual project are only capitalized as an intangible asset when the Group can demonstrate compliance with the following six criteria in IAS 38:

- The technical feasibility of completing the intangible asset so that the asset will be available for internal use or sale
- Its intention to complete the intangible asset
- Its ability and intention to use or sell the intangible asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an intangible asset, the asset is carried at cost less any accumulated straight-line amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the development period, impairment indicators are tested annually and, if applicable, an impairment test performed.

In addition, the Group tests intangible assets not yet ready for use for impairment every year. When testing property, plant and equipment, and other intangible assets for impairment, determining the recoverable amount of the assets involves the use of estimates.

Other non-financial assets
Other non-financial assets are principally recognized at their nominal values. Allowances are recognized in the full amount for other assets for which there is a high probability of default.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, checks and demand deposits. They belong to the "Financial assets measured at amortized cost" category and have original maturities of three months or less. Cash and cash equivalents are converted to the nominal value in the Group's currency. In the case of liquid funds, this corresponds to the fair value. Since cash and cash equivalents are only held by major international banks with good ratings, the Group considers the need to "calculate" potential losses to be negligible and of minor importance for the Group.

Government grants
Government grants are only recognized if there is reasonable assurance that the relevant criteria are fulfilled and the funding will be approved. Grants for the acquisition of non-current assets are recognized by reducing the book value of the asset. The grant is then recognized as income through a reduced write-down value over the duration of the depreciable asset's useful life. If the Group receives government grants for costs, these are recorded over the periods, for which they are intended to compensate, are expensed.

Pensions and similar obligations
The Group holds defined benefit pension plans, primarily in Germany and Switzerland. Contributions are made to a separately managed

fund for these. There are also other pension plans in the USA and Austria, most of which are defined benefit schemes. Provisions for pensions and similar obligations from defined benefit plans are recognized following the Projected Unit Credit Method, taking into consideration future adjustments to remuneration payments and pensions in compliance with the regulations as set forth in IAS 19. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the financial statement with a corresponding debit or credit to retained earnings through other income in the period in which they occur. Remeasurements may not be reclassified to the income statement in subsequent periods.

Unvested past service costs are recognized in profit or loss at the earlier of the following points in time:

- The time at which the adjustment or curtailment of the plan takes effect
- The time at which the Group recognizes any costs related to the restructuring

Pension obligations in Germany are calculated using the demographic tables for 2018 G developed by Prof. Klaus Heubeck, taking biometric actuarial assumptions into account. Pension obligations abroad are calculated using accounting principles and parameters specific to the corresponding country.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the defined benefit obligation in the income statement, mainly under administrative and sales and service expenses (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Service costs for vested rights to future pension payments result from the changes in the present value of the obligation. The net interest is recognized in the financial result. Payments under defined contribution benefit plans are recognized directly as an expense.

Other provisions
Other provisions are recognized in accordance with IAS 37 when the Group has a present legal or constructive obligation as a result of a past event, which will probably result in an outflow of resources with economic benefits, the amount of which can be reliably estimated. Other provisions include allowances for all identifiable obligations. Valuation is based on estimations of the expected settlement amount on due consideration of all business circumstances. Provisions that are only due after one year and for which the payment amounts and due dates can be reliably estimated are measured at discounted present value. Provisions for assurance-type warranties are calculated on the basis of historical values, warranty lifetimes and product volumes. For the treatment of extended service-type warranties, refer to the “Warranty obligations” subsection in the “Revenue and earnings recognition” section above.

Other provisions are made for all identifiable risks as well as for all contingent liabilities in the amount that is expected to be incurred.

Taxes on income
Deferred and current tax is calculated in line with IAS 12.

Deferred tax assets and liabilities are recognized for temporary differences between carrying amounts and corresponding tax bases, for consolidation transactions recognized in the income statement and for tax loss carry-forwards.

Deferred tax assets on tax loss carry-forwards are only recognized if the associated reductions in tax are likely to become effective in the next five years (maximum) and can be applied in subsequent periods. Deferred tax was recognized for loss carry-forwards in the year under review.

Deferred tax is calculated at the tax rate applicable to the company in question that is valid or approved at the balance sheet date and which will then be valid when the reversal effects will probably be applied.

Changes to deferred tax in the balance sheet generally result in deferred tax expense or income. If any movements that necessitate a change in deferred tax are charged directly to equity, the resulting change to deferred tax is also recognized directly in equity.

Current taxes are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of current taxes is based on the tax rates and tax laws applicable in the respective countries on the balance sheet date.

Material discretionary decisions, estimates and assumptions

In preparing the Consolidated Financial Statements, it has been necessary to make estimates and assumptions which may influence the carrying amounts of assets and liabilities, income and expenses as well as contingent liabilities as recognized on the balance sheet. The following significant estimates and assumptions, together with the uncertainties associated with the accounting and valuation methods applied, are crucial in understanding the risks underlying financial reporting and the impact these estimates, assumptions and uncertainties could have on the Consolidated Financial Statements:

(a) Material discretionary decisions

Development costs
The Group capitalizes the costs of product development projects and IT projects for process optimization in the various organizational areas, e.g. production, logistics, etc. Initial capitalization of costs is based on management’s judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash flows generated by the project, discount rates to be applied and the expected period of benefits.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the financial statement cannot be measured based on quoted prices in active markets, their fair values 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 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 value of financial instruments.

Determining the term of leases with extension or termination options – the Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain that the Group will exercise this option, or any periods covered by an option to terminate the lease if it is reasonably certain that the Group will not exercise this option.

The Group has concluded several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not it will exercise the option to renew or terminate the lease. That means that it considers all relevant factors that create an economic incentive for the Group to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Many lease contracts, especially for real estate, include renewal and termination options. Renewal options for real-estate leases are generally for periods of two to five years. These types of contractual conditions provide the Group with maximum operational flexibility with regard to its existing contracts. The existing renewal and termination options can only be exercised by the Group, not by the lessor.

The Group has included extension periods in the lease term for rented branch offices and warehouses because this kind of real estate is of major importance to its business activities. These rental contracts have relatively short, non-cancellable remaining terms (one to three years) and a significant negative impact on business operations would be expected if the Group were unable to use alternative options. Existing renewal options for contracts with longer terms were not exercised as these were classified as not yet reasonably certain. Renewal options for vehicle leases are not included in the leases as these are only very short term (up to three months) and are only exercised if the replacement vehicle has not yet been delivered.

For details on the possible future lease payments for periods after the exercise date for renewal and termination options which are not considered in the term of the lease, refer to item 26 in these Notes. → Page 122

Assessment on incorporating a minority shareholding in North America into the consolidation structure

In 2019, the Group acquired a minority shareholding in the amount of EUR 8.9 million in North America to reinforce its sales network; this corresponds to a 5.4-percent stake in the company in question. The remaining 94.6 percent is owned by the four founders, who make all the financial and business decisions required to run the associated company unanimously and independently of the Group. The Group has one of five seats on the supervisory committee. Through its position here, it is informed of current business developments in good time. However, the Group does not have veto or minority rights vis-à-vis the four founders that would enable it to exert any influence over important business transactions. Based on the current situation and a wider view of all circumstances, the Group does not have any significant influence. Similarly, the Group does not have any control in accordance with IFRS 10. This financial asset is recognized at fair value through other income (equity instrument) under the balance sheet line "Investments", as the Group plans to retain the shareholding in the long term for strategic reasons.

(b) Estimates and assumptions

Indications for impairment of tangible and intangible assets and development costs (impairment tests specific to events or circumstances)

At each closing date, the Group determines whether there are any grounds to assume that the book value of a tangible asset or an item under other intangible assets has been impaired. In fiscal 2019, the Group identified grounds for a significant impairment of intangible assets. Refer to item 10 "Intangible assets" in these Notes for more detailed information. → Page 108

Taxes on income and earnings

At each closing date, the Group determines whether the probability of future tax benefits is sufficient to justify deferred tax assets. The recognized deferred tax assets may be lower if the estimates regarding scheduled taxable income and the tax benefits realizable through available tax strategies are lowered, or should changes to current tax legislation restrict the timeframe or feasibility of future tax benefits. Refer to item 6 "Taxes on income" in these Notes for more detailed information. → Page 103

Tax items are calculated in line with local tax laws as applicable and the relevant administrative practices. Due to their complexity, they may be subject to differences in interpretation by tax-paying entities on the one hand, and by local fiscal authorities on the other. Different interpretations of tax laws may lead to retrospective tax payments for previous years; these are taken into consideration based on estimates made by the Group in accordance with IFRIC 23.

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, intangible assets of indefinite useful life and capitalized development costs once a year or more often if there is indication that an asset has been impaired. This involves making estimates regarding the forecast and discounting of future cash flows. In fiscal 2019, no indications of impairment were identified. For more information on the calculation of impairment, the assumptions indicating impairment and the sensitivity of these assumptions, refer to item 10 "Intangible assets" in these Notes. → Page 108

Employee benefits

Pensions and similar obligations are calculated in accordance with actuarial valuations. These valuations are based on a number of factors including statistical values in order to anticipate future events. These factors include actuarial assumptions such as the discount rate, expected salary increases and mortality rates. These actuarial assumptions can deviate considerably from the actual obligations as a result of changed market and economic conditions, resulting in a change in the associated future commitment.

For more detailed information on this and the sensitivity of observations, refer to item 19 "Provisions for pensions and similar obligations" in these Notes. → Page 115

Legal risks

Legal risks result from legal action against Wacker Neuson SE or individual Group members. The outcome of these disputes could have a substantial impact on Group assets, financials and earnings. Company management regularly analyses the current information avail-

able about these cases and builds provisions to cover probable obligations. Assessments are performed by internal and external experts and lawyers. When reaching a decision on the need to recognize provisions, company management takes sufficient account of the probability of an unfavorable outcome and takes due care to estimate the amount of the obligation sufficiently reliably. Refer to item 28 "Other financial liabilities" in these Notes for more detailed information. → Page 124

Deferred revenue from volume bonuses
The Group's expected volume bonuses are estimated for contracts with a single minimum purchase quantity on a customer-specific basis. The assessment as to whether a customer is likely to be qualify for a discount depends on their historical discount entitlements and the purchase pattern to date. Any significant changes from historical purchasing patterns and historical discount entitlements will affect the Group's estimated expected discount percentages. The Group updates its estimate of expected volume bonuses once a year.

ECL allowances for financial assets
The Group uses a provision matrix to calculate ECLs for selected financial assets. These financial assets mainly comprise:

- Trade receivables
- Receivables (extended payment terms) from dealers
- Receivables from prepaid volume bonuses
- Receivables from finance leases 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 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 will calibrate 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.

In a first step, historical default rates are used for receivables (extended payment terms) from dealers. In a second step, this empirical risk provisioning is adjusted for specific forward-looking factors such as country risk, bulk risk and collateral provided. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default patterns in the future.

Leases – estimate of the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease. As a result, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the interest rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR thus reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Transfer of financial assets
In connection with the derecognition of receivables as part of factoring, estimates or discretionary judgments were applied in the following cases in particular:

- The extent to which the risks and rewards of ownership of receivables have been transferred substantially to the transferee or have been retained by the transferor was ascertained by comparing exposure before and after the transfer, taking into account exposure to variability in the amounts and timing of the future net cash flows from the transferred asset. In this connection, the present value of the future net cash flows from the receivables had to be determined for various states and substantiated with their probability of occurrence.

- If all the risks and rewards have been neither retained nor transferred substantially, the receivables may be (partially) recognized as per the continuing involvement approach or completely derecognized depending on whether control of the transferred receivables has been transferred or retained. This involved assessing in particular whether the transferee has the right by contract and the practical ability to sell or pledge the purchased receivables in their entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this connection, assessment of the concrete impact of individual contractual provisions in particular was subject to discretionary judgments.

Explanatory comments on the income statement

1 – 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

	2019	2018
Geographical segments		
Europe	1,379.0	1,248.9
Americas	459.5	401.3
Asia-Pacific	62.6	59.8
Total revenue	**1,901.1**	**1,710.0**
Business segments		
Light equipment	485.3	455.7
Compact equipment	1,052.8	920.9
Services	382.5	351.6
Less cash discounts	-19.5	-18.2
Total revenue	**1,901.1**	**1,710.0**
Source of revenue:		
Revenue generated from contracts with customers	1,727.2	1,552.5
Other revenue	173.9	157.5
Total revenue	**1,901.1**	**1,710.0**

Other revenue mainly includes revenue from flexible rental solutions for machines and accessories in accordance with IFRS 16 as well as revenue from dealer financing in accordance with IFRS 9. Revenue from services includes revenue from flexible rental solutions for equipment and accessories in the amount of EUR 168.8 million (previous year: EUR 153.0 million). The rental period is typically short term, averaging approximately 15 days. Revenue from dealer financing was reported at EUR 5.2 million (previous year: EUR 4.5 million).

Further information within the framework of IFRS 15 is provided in the relevant notes on the items concerned.

2 – Other income

IN € MILLION

	2019	2018 adjusted
Sale of concrete power trowel business	2.5	–
Rental income on investment properties	2.5	3.1
Closed litigation	1.9	–
Offsetting of non-cash benefits	1.7	1.5
Government grant	1.7	–
Proceeds from sale of property, plant and equipment and assets held for sale	1.5	4.6
Income from the sale of scrap	1.1	1.4
Carry-forwards	0.8	0.5
Insurance reimbursements	0.9	0.4
Research bonus	0.5	0.2
Other income	2.5	2.5
Total	**17.6**	**14.2**

The increase in other income is attributable to the sale of the concrete power trowel business in the amount of EUR 2.5 million (2018: EUR 0.0 million). In the Asia-Pacific region, the resolution of a legal dispute during where a Chinese court ultimately awarded damages to the Group resulted in a positive effect in the amount of EUR 1.9 million (2018: EUR 0.0 million). On compliance with a defined set of criteria, the Chinese production company received a written guarantee of subsidies in the amount of EUR 1.7 million (2018: EUR 0.0 million) from the Chinese government. These criteria were largely based on various investment limits (in research and development costs, among others) that the company complied with by a given deadline.

The decrease in the proceeds from the sale of property, plant and equipment in the amount of EUR 3.1 million is primarily attributable to the sale of the “Gutmadingen” property as well as additional real estate in Australia and Germany in the prior year, 2018. Offsetting of non-cash benefits includes income from company cars. The carry-forwards item refers to income from costs invoiced to dealers and suppliers.

Following a detailed analysis of ordinary business activities, and reflecting the growing importance of financing services to customers within the Group, income from customer financing has been uniformly reported as revenue; this reclassification should help to clearly delineate between the operating business and financing activities. Accordingly, profit in the amount of EUR 0.3 million (2018: EUR 0.9 million) has been reclassified from other income to revenue. This is a method change within the scope of IAS 8, so the figures for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

3 – Personnel expenses

Personnel expenses comprise the following:

IN € MILLION	2019	2018
Wages and salaries	315.0	283.0
Social security contributions	70.4	62.8
Expenses for pensions	7.2	5.9
Total	**392.6**	**351.7**

The expenses for pensions include the expense for pension benefits without the interest portion of the additions to provisions for pensions, which is recognized in the financial result. Wages and salaries include expenses for redundancy payments to the following extent:

IN € MILLION	2019	2018
Redundancy payments	2.9	2.3

EUR 0.7 million (2018: EUR 0.7 million) of this is attributable to provisions for redundancy payments required by law for the sites in Austria.

The increase due to redundancy payments in the amount of EUR 0.6 million is primarily attributable to comprehensive restructuring measures at the North American production plant in Menomonee Falls.

The functional costs include the following personnel expenses:

- Cost of sales: EUR 141.2 million (2018: EUR 124.7 million).
- Sales and service expenses: EUR 156.7 million (2018: EUR 143.1 million).
- Research and development costs: EUR 41.9 million (2018: EUR 36.0 million).
- General and administrative expenses: EUR 52.8 million (2018: EUR 47.9 million).

The average number of employees broken down according to fields of activity is as follows for the period under review (not including staff employed under leasing contracts):

	2019	2018
Production	2,377	2,203
Sales and service	2,137	2,025
Research and development	493	436
Administration	569	548
Total	**5,576**	**5,212**

4 – Other operating expenses

IN € MILLION	2019	2018
Losses on the disposal of property, plant and equipment	1.0	0.4
Other expenses	0.9	0.6
Total	**1.9**	**1.0**

The increase of EUR 0.9 million in other operating expenses is primarily attributable to restructuring measures at the North American plant in Menomonee Falls.

5 – Financial result

a) Financial income

IN € MILLION	2019	2018 adjusted
Interest and similar income	2.4	1.3
Foreign exchange gains	2.2	–
Income from foreign exchange contracts	1.0	4.1
Total	**5.6**	**5.4**

In the reference year 2018, income from customer financing in the amount of EUR 2.6 million (2019: EUR 3.5 million) was reported under interest and similar income. Following a detailed analysis of ordinary business activities, and reflecting the growing importance of financing services to customers within the Group, income from customer financing has been uniformly reported as revenue; this reclassification should help to clearly delineate between the operating business and financing activities. This is a method change within the scope of IAS 8, so the figures for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

The Group enters into external swap agreements to counter-finance foreign currency loans extended internally. The results of this included income in the amount of EUR 1.0 million in the period under review (2018: EUR 4.1 million). This is offset by expenses in the amount of EUR 0.8 million (2018: EUR 2.7 million) from internal foreign currency loans, which are hedged as the transaction underlying the swaps in line with the Group's risk management strategy. These hedged exchange losses in the amount of EUR 0.8 million (2018: EUR 2.7 million under financial expense) are included in financial income under net currency gains.

b) Financial expense

IN € MILLION	2019	2018
Interest and similar expense	14.6	8.5
Foreign exchange losses	–	9.2
Expenses from foreign exchange contracts	6.6	1.8
Total	**21.2**	**19.5**

Interest and similar income was netted against interest and similar expense in the amount of EUR 1.4 million (2018: EUR 1.2 million) in the reporting year. For further information, refer to item 16 "Cash and cash equivalents" in these Notes. → Page 114

The Group enters into external swap agreements to counter-finance foreign currency loans extended internally. The results of this included an expense in the amount of EUR 6.6 million in the period under review (2018: EUR 1.8 million). This is offset by income in the amount of EUR 3.1 million (2018: EUR 0.9 million) from internal foreign currency loans, which are hedged as the transaction underlying the swaps in line with the Group's risk management strategy. These hedged exchange gains in the amount of EUR 3.1 million (2018: EUR 0.9 million under financial expense) are included in financial income under net currency gains.

6 – Taxes on income

Expense for taxes on income comprises the following:

IN € MILLION

	2019	2018
Current tax expense	40.3	54.6
Deferred tax expense	8.7	3.8
Total	**49.0**	**58.4**

Actual taxes include adjustments of EUR 1.8 million as income (2018: EUR 3.2 million expense) for previous fiscal years.

In determining deferred taxes, a corporation tax rate of 15 percent and a solidarity surcharge of 5.5 percent were taken into account for domestic companies. Trade taxes were also taken into account at the relevant trade tax rate. In the case of foreign companies, the applicable or expected tax rates were used for each calculation.

Deferred income tax from items reported under other income during the year under review:

IN € MILLION

	2019	2018
Other income to be recognized in the income statement in subsequent periods		
Cashflow hedges	0.4	-0.2
Sum	**0.4**	**-0.2**
Other income not to be recognized in the income statement in subsequent periods		
Reclassification from defined pension commitments	2.9	0.5
Sum	**2.9**	**0.5**
Total	**3.3**	**0.3**

Reconciliation of calculated tax to actual tax expense:

IN € MILLION

	2019	2018
EBT	137.5	203.0
Tax at the applicable rate: 29,56%	40.7	58.8
(previous year: 28.98%)		
Variance in Group tax rates	-4.3	-2.0
Adjustments to actual income taxes paid in earlier years	-1.8	3.2
Tax effects of non-deductible expenses and tax-exempt income	5.5	-1.6
Tax rate changes	-0.1	0.3
	8.6	2.6
Other	0.4	-2.9
Total	**49.0**	**58.4**

Taxes on income are calculated by applying the Group's uniform tax rate of 29.56 percent (2018: 28.98 percent) to profit before tax.

The item "Tax effects of non-deductible expenses and tax-exempt income" includes the tax on dividend pay-outs.

Deferred tax assets and liabilities are allocated to the following balance sheet items:

IN € MILLION

	2019	2019	2018	2018
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Recognition and valuation differences: intangible assets	–	38.6	–	32.4
Valuation differences: tangible assets and rental	14.1	15.6	13.1	13.7
Valuation differences: inventories	14.4	1.9	14.0	1.8
Valuation differences: receivables	6.2	–	0.9	–
Valuation differences: IFRS 16	1.3	–	–	–
Valuation differences: provisions for pensions	11.2	2.5	11.3	0.4
Valuation differences: liabilities	5.4	–	3.5	–
Loss carry-forwards	6.7	–	9.6	–
Other	9.1	8.3	7.0	5.5
Total	**68.4**	**66.9**	**59.4**	**53.8**
Net	**-30.1**	**-30.1**	**-19.2**	**-19.2**
Balance sheet item	**38.3**	**36.8**	**40.2**	**34.6**

Deferred tax recognized in the consolidated balance sheet aligns with the deferred tax recognized in the balance sheets of individual Group companies. Deferred tax assets and liabilities were netted at the level of the individual company as appropriate.

Deferred tax liabilities for intangible assets mainly result from the recognition of brand value in conjunction with the acquisition of Weidemann and Neuson Kramer.

Rental equipment and inventories include deferred taxes resulting from the evaluation of rental equipment and inventories at Group cost of goods manufactured.

Unused tax losses for which no deferred tax receivable was recognized in the balance sheet amount to EUR 56.6 million (2018: EUR 33.1 million). This includes unused tax interest carry-forwards from the US subgroup in the amount of EUR 9.5 million (2018: EUR 1.1 million).

With respect to deferred tax assets, EUR 6.7 million (2018: EUR 9.6 million) are allocable to individual companies which incurred losses in the current or prior reporting period. The reason for the capitalization is attributable to signs of an improvement in the earnings situation in coming years, which is to be expected as a result of appropriate management measures. Therefore it can be assumed that the companies will achieve taxable earnings in the future. Deferred tax effects of tax loss carry-forwards were also recognized for companies with a loss history to the extent that the losses reported are attributable to one-off effects in the respective companies. In such cases, management assumes that the causes of the losses have been resolved and the company in question will be posting a taxable profit in the future. The deferred tax expense as a result of a drop in deferred tax receivables recognized from previous years amounts to EUR 4.1 million (2018: EUR 1.6 million). In addition, no deferred taxes in the amount of EUR 5.7 million (2018: EUR 2.5 million) were recognized for losses reported in 2019 as it is not assumed that taxable profit will be available within the next five years against which these tax loss carry-forwards can be utilized or because the company in question has a history of losses.

Deferred taxes from pension obligations in the amount of EUR 10.6 million (2018: EUR 7.7 million) and from cashflow hedges in the amount of EUR 0.3 million (2018: EUR -0.1 million) were recognized directly in equity. All other deferred tax was recognized in the income statement.

Deferred taxes on undistributed profits of affiliates were recognized only if distribution is planned based on the Group's internal regulations. Deferred tax liabilities of EUR 0.6 million (2018: EUR 1.0 million) were recognized on this. The amount available for distribution is EUR 50.9 million (2018: EUR 82.9 million).

7 – Earnings per share

	2019	2018
Earnings of the current year attributable to shareholders in € Million	88.5	144.6
Weighted average number of shares outstanding during current period	70.14	70.14
Undiluted earnings per share in €	**1.26**	**2.06**
Diluted earnings per share in €	**1.26**	**2.06**

According to IAS 33, earnings per share are calculated by dividing the total profit/loss for the year attributable to Wacker Neuson SE shareholders by the weighted average number of shares issued.

Explanatory comments on the balance sheet

8 – Property, plant and equipment

a) Property, plant and equipment including right-of-use lease assets

IN € MILLION

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/Assets under construction	Total
Acquisition costs					
Balance at January 1, 2019	316.7	131.8	97.2	8.4	554.1
First adoption IFRS 16	57.8	0.1	11.4	–	69.3
Exchange rate differences	1.8	0.9	0.6	-0.1	3.2
Additions	41.4	7.5	26.3	15.9	91.1
Disposals	-10.5	-10.6	-5.8	–	-26.9
Transfers	4.1	2.7	1.6	-8.4	–
Balance at December 31, 2019	**411.3**	**132.4**	**131.3**	**15.8**	**690.8**
Accumulated depreciation					
Balance at January 1, 2019	101.9	91.9	65.6	0.1	259.5
Exchange rate differences	0.5	0.6	0.3	-0.1	1.3
Additions	21.0	9.4	15.8	–	46.2
Impairment	0.3	0.1	–	–	0.4
Disposals	-2.6	-9.5	-4.8	–	-16.9
Transfers	–	–	–	–	–
Balance at December 31, 2019	**121.1**	**92.5**	**76.9**	**–**	**290.5**
Book value at December 31, 2018	**214.8**	**39.9**	**31.6**	**8.3**	**294.6**
Book value at December 31, 2019	**290.2**	**39.9**	**54.4**	**15.8**	**400.3**
Useful life in years	16 – 50	1 – 10	1 – 15		

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/Assets under construction	Total
Acquisition costs					
Balance at January 1, 2018	311.3	132.6	93.6	8.5	546.0
Exchange rate differences	–	1.8	0.3	-0.5	1.6
Additions	10.6	7.9	11.6	7.2	37.3
Disposals	-8.7	-11.1	-9.8	–	-29.6
Transfers	3.5	0.6	1.5	-6.8	-1.2
Balance at December 31, 2018	**316.7**	**131.8**	**97.2**	**8.4**	**554.1**
Accumulated depreciation					
Balance at January 1, 2018	96.7	91.9	65.4	–	254.0
Exchange rate differences	0.6	1.4	0.2	0.1	2.3
Change in consolidation structure	–	0.1	0.1	–	0.2
Additions	8.0	9.1	8.4	–	25.5
Impairment	–	–	–	–	–
Disposals	-3.1	-10.6	-8.5	–	-22.2
Transfers	-0.3	–	–	–	-0.3
Balance at December 31, 2018	**101.9**	**91.9**	**65.6**	**0.1**	**259.5**
Book value at December 31, 2017	**214.6**	**40.7**	**28.2**	**8.5**	**292.0**
Book value at December 31, 2018	**214.8**	**39.9**	**31.6**	**8.3**	**294.6**
Useful life in years	16 – 50	1 – 10	1 – 15		

Land is considered to have an unlimited useful life.

Total write-downs and impairment losses on property, plant and equipment, investment properties, intangible assets and rental equipment (see item 12 “Rental” in these Notes, → page 112) reported in the Group income statement amounted to EUR 104.4 million (2018: EUR 77.1 million). EUR 66.0 million of this is attributable to cost of sales (2018: EUR 57.5 million), EUR 22.0 million to sales and service expenses (2018 EUR 5.9: million), EUR 2.6 million to research and development costs (2018: EUR 2.2 million) and EUR 13.8 million to general administrative costs (2018: EUR 11.5 million). Depreciation and amortization amounted to EUR 63.3 million excluding rental equipment (2018: EUR 40.5 million). The increase in the various functional lines was mainly due to the initial application of IFRS 16.

For the first time, additions within acquisition costs under land and buildings (EUR 41.4 million) and office and other equipment (EUR 26.3 million) include additions from right-of-use assets in accordance with IFRS 16 (see also subsection b) “Right-of-use lease assets”), relative to the reference year. The significant increase in additions within accumulated depreciation for land and buildings (EUR 21.0 million) and office and other equipment (EUR 15.8 million) is primarily attributable to the application of IFRS 16 since January 1, 2019 (see also subsection b) “Right-of-use lease assets”).

In addition to the initial application of IFRS 16, additions to land and buildings include the purchase of an undeveloped site (EUR 3.3 million) in Kragujevac, Serbia. The plan is to construct a new building on this property for our present steel component supply facilities. A property (site and offices) that had previously been rented in Volketswil (near Zürich), Switzerland, was purchased in 2019 for EUR 4.7 million. An undeveloped site in Hörsching (near Linz), Austria was also purchased for EUR 4.2 million to expand production capacity.

At Kramer (Pfullendorf), investments were made in expanding production logistics, with expansion of assembly and testing facilities set to follow in 2020. At Weidemann (Korbach), construction of a new administration/development building began in 2019 and is scheduled for completion in 2020. Logistics and production will also be expanded at this site over the next two years. These expansion measures were the main factor in the increase in additions to downpayments / assets under construction to EUR 15.9 million (2018: EUR 7.2 million).

b) Right-of-use lease assets

As of January 1, 2019, initial application of IFRS 16 resulted in the first-time recognition of right-of-use lease assets in the amount of EUR 69.3 million, which the Group reports under property, plant and equipment. For further information on the initial application of IFRS 16, refer to “Standards and interpretations applied for the first time in the fiscal year under review”. → Page 83

The following table shows the development of right-of-use lease assets in fiscal 2019, displayed by property, plant and equipment category.

For detailed information on the content of the underlying leases, refer to item 26, “Leasing liabilities”, in these Notes. → Page 122 We refer to this item to avoid duplicating information.

	Land and buildings	Machinery and equipment	Office and other equipment	Total
Acquisition costs				
Book value at January 1, 2019	57.8	0.1	11.4	69.3
Exchange rate differences	0.3	0.0	0.1	0.4
Additions	26.5	0.0	14.1	40.6
Disposals	-7.7	0.0	-0.7	-8.4
Balance at December 31, 2019	**76.9**	**0.1**	**24.9**	**101.9**
Accumulated depreciation				
Balance at January 1, 2019	0.0	0.0	0.0	0.0
Exchange rate differences	0.0	0.0	0.0	0.0
Additions	13.6	0.0	6.5	20.1
Impairment	0.0	0.0	0.0	0.0
Disposals	-0.7	0.0	-0.3	-1.0
Balance at December 31, 2019	**12.9**	**0.0**	**6.2**	**19.1**
Book values at January 1, 2019	**57.8**	**0.1**	**11.4**	**69.3**
Book values at December 31, 2019	**64.0**	**0.1**	**18.7**	**82.8**

9 – Investment properties

The table below shows the development of investment properties held during the years 2018 and 2019:

IN € MILLION

	2019	2018
Acquisition costs		
Balance at January 1	38.4	42.7
Exchange rate differences	–	–
Additions	–	–
Disposals	–	-5.6
Transfers	–	1.3
Balance at December 31	**38.4**	**38.4**
Accumulated depreciation		
Balance at January 1	12.6	15.9
Exchange rate differences	–	–
Additions	0.5	0.6
Disposals	–	-4.2
Transfers	–	0.3
Balance at December 31	**13.1**	**12.6**
Book value at January 1	**25.8**	**26.8**
Book value at December 31	**25.3**	**25.8**

PROPERTY

	Book value as per Dec. 31, 2019 in € MILLION	Fair value as per Dec. 31, 2019 in € MILLION	Calculation method	Depreciation method	Useful life
Germany	25.2	42.9			
München	11.3	22.9	German income approach	straight-line	50 years
Überlingen	13.9	20.0	Survey/German income approach	straight-line	25 – 50 years
Spain	0.1	0.1	Survey/German income approach	straight-line	50 years
Total	**25.3**	**43.0**			

The earnings derived from investment properties are shown in the table below:

IN € MILLION

	2019	2018
Rental income	2.4	3.1
Depreciation and impairment	-0.5	-0.6
Other expenses	-0.1	-0.1
Total	**1.8**	**2.4**

These figures are allocated to the European segment.

Investment properties include the land and buildings listed above, which have all been rented to third parties or are intended to be rented to third parties. The reported depreciation methods and useful lives only affect the buildings listed.

The evaluation methods applied are listed in the table above.

The key, unobservable inputs used to evaluate investment properties are as follows (measurement of fair value at hierarchy level 3):

The fair values of properties were determined in some cases by surveyors using the German income approach and discounted cash flow methods. These evaluations are based on the standard land values, standard market rents, estimated running costs and estimated residual useful lives inputs.

10 – Intangible assets

a) Goodwill

Goodwill developed as follows:

IN € MILLION

	2019	2018
Balance at January 1	237.8	237.4
Foreign currency fluctuations	0.2	0.4
Disposals	-0.2	–
Balance at December 31	**237.8**	**237.8**

The disposals relate to a partial disposal of the goodwill of cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) due to the sale of the trowel business to the Husqvarna Group.

b) Other intangible assets

→ See table on page 109

The expected residual useful lives and residual book values of other intangible assets are as follows:

IN € MILLION

	Book value on Dec. 31, 2019	Book value on Dec. 31, 2018	Useful life
Brands	64.8	64.8	Indefinite
Customer base	1.1	1.2	10 years
Software development	16.4	10.2	1 – 8 years
Total	**82.3**	**76.2**	

Other intangible assets include EUR 22.0 million for the brand name “Weidemann” resulting from the acquisition of Weidemann GmbH in 2005. Due to the strong market position of Weidemann GmbH, the brand name and trademark are considered to have an unlimited useful life.

EUR 42.8 million was recognized for the brand name in connection with the merger with the Neuson Kramer Group. This is also considered to have an unlimited useful life due to the company’s strong market position. Wacker Neuson SE does not own the Neuson logo. This is owned by the PIN Private Trust (PIN-Stiftung), which is part of the group founded by the Chairman of the Supervisory Board, Johann Neunteufel. Subject to certain guidelines, however, the company has an exclusive, irrevocable and unlimited free-of-charge license to use this brand in conjunction with the name “Wacker”.

The acquisition of KLC SERVIS s.r.o. in 2018 resulted in a customer base amounting to EUR 1.2 million. This is amortized on a straight-line basis over 10 years.

Internally produced intangible assets refer to capitalized development costs. Software developments also refer to capitalized costs for software.

In fiscal 2019, an impairment test on internally produced intangible assets prompted by a change in circumstances indicated grounds for an impairment loss in the amount of EUR 0.0 million (2018: EUR 0.1 million). The impairment loss was recognized in the income statement under research and development costs (2018: cost of sales) and allocated to the Europe segment.

The gains in intangible assets under development mainly result from product developments and the capitalization of IT projects.

IN € MILLION

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2019	**30.0**	**84.4**	**64.9**	**36.7**	**216.0**
Exchange rate differences	0.2	–	0.2	0.1	0.5
Change in consolidation structure	–	–	–	–	–
Additions	2.3	1.8	-0.2	34.8	38.7
Disposals	-0.9	-0.7	-1.1	-0.1	-2.8
Transfers	1.3	7.4	17.3	-26.0	–
Balance at December 31, 2019	**32.9**	**92.9**	**81.1**	**45.5**	**252.4**
Accumulated depreciation					
Balance at January 1, 2019	24.5	8.2	39.7	0.1	72.5
Exchange rate differences	0.1	–	0.2	–	0.3
Change in consolidation structure	–	–	–	–	–
Additions	2.0	2.9	11.2	–	16.1
Impairment	–	–	–	–	–
Disposals	-0.7	-0.6	-1.1	–	-2.4
Transfers	–	–	0.1	-0.1	–
Balance at December 31, 2019	**25.9**	**10.5**	**50.1**	**–**	**86.5**
Book value at December 31, 2018	**5.5**	**76.2**	**25.2**	**36.6**	**143.5**
Book value at December 31, 2019	**7.0**	**82.4**	**31.0**	**45.5**	**165.9**
Useful life in years	3 – 8	1 – 8	5 – 6		

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2018	28.2	79.7	55.3	23.0	186.2
Exchange rate differences	0.4	-0.1	0.8	0.3	1.4
Change in consolidation structure	–	1.2	–	–	1.2
Additions	1.9	2.9	–	31.2	36.0
Disposals	-0.5	-0.3	-2.3	-5.7	-8.8
Transfers	–	1.0	11.1	-12.1	–
Balance at December 31, 2018	**30.0**	**84.4**	**64.9**	**36.7**	**216.0**
Accumulated depreciation					
Balance at January 1, 2018	21.1	6.3	32.5	0.7	60.6
Exchange rate differences	0.3	–	0.5	–	0.8
Change in consolidation structure	–	–	–	–	–
Additions	3.5	1.9	8.9	–	14.3
Impairment	–	–	0.1	–	0.1
Disposals	-0.4	–	-2.3	-0.6	-3.3
Transfers	–	–	–	–	–
Balance at December 31, 2018	**24.5**	**8.2**	**39.7**	**0.1**	**72.5**
Book value at December 31 2017	**7.1**	**73.4**	**22.8**	**22.3**	**125.6**
Book value at December 31, 2018	**5.5**	**76.2**	**25.2**	**36.6**	**143.5**

c) Impairment of goodwill and intangible assets with an indefinite useful life

The Group performs its annual impairment test in October of each fiscal year. As at December 31, 2019, there was no new indication of events or insights that would have prompted a change in the impairment test. The Group considers the relationship between its market capitalization and its book value, among other factors, when checking for indications of impairment. As at December 31, 2019, the market capitalization of the Group was below the book value of its equity, indicating a potential impairment of goodwill and impairment of the assets of the operating segments.

The goodwill and indefinite-lived Weidemann and Neuson brands obtained through mergers were allocated for impairment testing to the following cash-generating units within the Americas or Europe segments:

- Weidemann GmbH (Germany)
- Wacker Neuson Production Americas LLC (subgroup/USA)
- Wacker Neuson Beteiligungs GmbH (subgroup/Austria)

The pro-rata book values break down as follows:

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Wacker Neuson Production Americas LLC (subgroup/USA)		
Book value of goodwill	9.2	9.2
Weidemann GmbH		
Book value of goodwill	24.2	24.2
Book value of the indefinite-lived brand	22.0	22.0
Wacker Neuson Beteiligungs GmbH (subgroup/Austria)		
Book value of goodwill	204.4	204.4
Book value of the indefinite-lived brand	42.8	42.8
Book value of goodwill	**237.8**	**237.8**
Book value of the indefinite-lived brand	**64.8**	**64.8**

With the exception of the year when they were first recognized in the balance sheet, the carrying amounts of goodwill and indefinite-lived brands are verified during the annual impairment test or subjected to an additional impairment test if there are indications of asset impairment. For this purpose, the book value is compared with the “fair value less cost to sell”. The “fair value less cost to sell” is determined using the discounted cash flow method (measurement of fair value at hierarchy level 3). Future cash flows are discounted to the respective reporting date. Value is impaired if the “fair value less cost to sell” is lower than the book value.

Cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria)

Cash flow projections are based on financial plans approved by management for a period of three years (until 2022). The discount rate after tax applied to the cash flow projections is 7.39 percent (2018: 7.96 percent). Cash flows beyond the three-year period are extrapolated using a 5.0-percent growth rate (2018: 5.0 percent) for a further four years (until 2026). This growth rate exceeds the average growth forecast for the industry. However, the cash-generating unit has already achieved above-average growth in the past. The management expects this trend to continue. It was concluded that the fair value less cost to sell did exceed the book value.

Cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA)

Cash flow projections are based on financial plans approved by management for a period of five years (until 2024). The discount rate after tax applied to the cash flow projections is 9.23 percent (2018: 9.30 percent). Cash flows beyond the five-year period are extrapolated using a 5.0-percent growth rate (2018: 5.0 percent) for a further two years (until 2026). Despite losses in the past, management anticipates rising positive cash flows, as negative one-off effects have increasingly placed a burden on the results of the cash-generating unit in recent fiscal years. Management expects that the completed restructuring activity, which among other things has significantly reduced vertical integration, and the modification of plant and distribution logistics, which has contributed to reduced complexity, will contribute to a sustained rise in profitability. The Group also made significant progress in expanding its North American dealer network. In line with its strategy for the region, the Group is focusing on developing anchor dealers who will then support multiple sales and service stations. These exclusive, highly qualified sales partners not only sell equipment but also rent machines and offer a range of services. This reduces the overall number of dealers while at the same time expanding the Group’s reach in the region. It was concluded that the fair value less cost to sell did exceed the book value.

Key assumptions used in calculating fair value less cost to sell and sensitivity to changes in assumptions

The calculation of fair value less cost to sell is based on assumptions, which in turn are dependent on the following uncertain estimates:

- Free cash flow
- Discount rates
- Growth rate used to extrapolate cash flows beyond the forecast period
- Perpetual annuity

Free cash flow after tax: Free cash flow is calculated based on a detailed planning phase from 2020 to 2026. Growth rates for the cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria) are determined for the first three budget years (until 2022) based on the market environment, taking past values into account. The growth rate for the cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) is determined for the first five years based on the market environment, taking past values into account. These estimates took into account the fact that the free cash flows of cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) had been burdened by one-off effects in recent years. Thanks to initiated and implemented countermeasures, management expects that such negative one-off effects will not lead to any further impairment. Higher growth rates than the forecast average growth for the industry result from above-average growth already achieved by the cash-generating units in the past.

A 10.00-percent decrease in operating free cash flows would not result in an impairment for any cash-generating unit, even if accompanied by a 1-percent increase in the discount rate and a reduction in the growth rate to 0 percent in perpetual annuity. An additional scenario has been calculated for the cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA). If revenue growth is reduced to a constant 1 percent in the detailed planning phase from 2020 through 2024 with planned free cash flow ratios (free cash flow as a percentage of revenue) of 24 percent in 2020 (due to a reduction in net working capital) and thereafter of between 2.50 and 4.61 percent, this would result in an impairment.

Discount rates: These reflect management's assessment of the risks associated with cash-generating units. In addition to a risk-free interest rate, a risk-weighted rate is also taken into account. The weighted average cost of capital (WACC) after tax is applied at a rate of 7.39 percent (2018: 7.96 percent) for the two cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria), and at 9.23 percent (2018: 9.30 percent) for the unit Wacker Neuson Production Americas LLC (subgroup/USA).

A 1-percent increase in the discount rate would not result in an impairment for any cash-generating unit. Even in conjunction with a reduction in the growth rate to 0 percent in perpetual annuity, there would be no impairment.

Growth rate estimates: Management and affiliates estimate growth rates based on local market dynamics. Various scenarios with annual EBIT growth of between 5 and 10 percent were created to extrapolate cash flows beyond the forecast period for the three cash-generating units Weidemann GmbH, Wacker Neuson Production Americas LLC (subgroup/USA) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria). A negative scenario with EBIT growth of just 2 percent from 2022 onwards (subgroup/USA: 2025 onwards) was also calculated for the three cash-generating units.

Even in a negative scenario with just 2-percent EBIT growth, a reduction in the growth rate to 0 percent in perpetual annuity and a 1-percent increase in discount rates, there would be no impairment for any cash-generating unit.

A reduction in the growth rate to 0 percent in perpetual annuity would not result in an impairment for any cash-generating unit.

Overall, the Group does not anticipate any impairment for the cash-generating units, even in the context of sensitivity to changes, since several factors would have to take place simultaneously in each case. The Group considers the probability of this to be low.

11 – Other non-current assets

Other non-current assets are composed of the following items:

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted
Non-current trade receivables	51.9	47.8
Prepaid volume bonuses to US dealers	21.0	14.4
Non-current receivables from finance lease	15.4	10.1
Continuing involvement	2.9	–
Investment securities	1.6	1.6
Misc. other non-current financial assets	2.1	1.9
Other non-current financial assets	**94.9**	**75.8**
Other non-current non-financial assets	**0.1**	**1.7**
Total	**95.0**	**77.5**

Non-current trade receivables largely resulted from sales promotion activities in the US. Delivered products are subject to retention of title and personal sureties. In the period under review, EUR 0.6 million (2018: EUR 1.0 million) was recognized in the sales and service expenses as provision for non-current trade receivables and the short-term portion of non-current trade receivables. This was allocated to the Americas segment. None of the non-current trade receivables were overdue.

The provision in the amount of EUR 1.6 million (2018: EUR 1.0 million) also includes a provision for the current and non-current portion of prepaid volume bonuses to US dealers and finance lease receivables.

The increase in non-current receivables from finance leases is mainly due to additional finance lease transactions with a wholesaler in Australia and the expansion of sale-and-lease-back agreements as a sales support measure within Europe.

Prepaid volume bonuses to US dealers have risen due to sales support measures in the USA and are to be amortized over future sales.

Non-current trade receivables, non-current finance lease receivables and prepaid volume bonuses to US dealers include a financing component that generates income from customer financing and is reported as revenue arising in the course of ordinary activities.

In comparison with the previous year, the minority shareholding in Austria was reported at EUR 2.6 million (2018: EUR 3.0 million) under the balance sheet item "Other non-current assets". To improve transparency and differentiation, this minority shareholding has been reclassified to the separate new balance sheet line "Shareholdings". This is a method change within the scope of IAS 8, so the figures and notes for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

If the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates whether and – if so – to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all of the risks and rewards associated with the asset, nor transferred control over the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are evaluated in due consideration of the rights and obligations that the Group has retained. The Group is party to a factoring transaction under which a continuing involvement in the amount of EUR 2.9 million (2018: EUR 0.0 million) is reported under other non-current assets. Refer to item 29, "Additional information on financial instruments", for more information on this financial transaction, → page 125.

12 – Rental

IN € MILLION

	2019	2018
Acquisition costs		
Balance at January 1	218.5	180.3
Exchange rate differences	2.7	1.9
Change in consolidation structure	–	0.6
Additions	89.7	92.6
Disposals	-66.4	-56.9
Transfers	–	–
Balance at December 31	**244.5**	**218.5**
Accumulated depreciation		
Balance at January 1	69.1	60.8
Exchange rate differences	1.0	0.6
Change in consolidation structure	–	0.1
Additions	41.0	36.6
Disposals	-32.7	-29.0
Transfers	–	–
Balance at December 31	**78.4**	**69.1**
Book value at January 1	**149.4**	**119.5**
Book value at December 31	**166.1**	**149.4**
Useful life in years	2 – 3	2 – 3

Rental covers equipment kept for use by customers. At the request of the customer, this equipment may also be sold.

The EUR 0.6 million change in consolidation structure in the prior year is due to the acquisition of KLC SERVIS s.r.o. (whose name and legal form changed to Wacker Neuson s.r.o.) and its incorporation in the consolidation structure in 2018.

13 – Inventories

IN € MILLION

	Gross value	Allowance	Net value Dec. 31, 2019
Raw materials and supplies	129.9	-1.2	128.7
Work in progress	25.2	–	25.2
Finished goods	459.5	-10.9	448.6
Total	**614.6**	**-12.1**	**602.5**

	Gross value	Allowance	Net value Dec. 31, 2018
Raw materials and supplies	141.1	-1.6	139.5
Work in progress	36.2	–	36.2
Finished goods	387.9	-10.2	377.7
Total	**565.2**	**-11.8**	**553.4**

In the prior year, missing components caused by bottlenecks in the Group's global supply chain meant that in many cases, machines could not be completed for customer orders. As a consequence, the number of unfinished machines was significantly higher than normal in 2018, while the Group's delivery capabilities lay under normal levels. In order to adequately meet the ongoing strong demand in 2019, the Group made targeted efforts to build up inventory of completed equipment at the start of the year. (For more information, see Combined Management report, → page 35.)

An expense of EUR 1,159.4 million (2018: EUR 1,150.9 million) was recorded under acquisition and manufacturing costs for inventories sold in the fiscal year.

Raw materials and supplies, work in process and finished products were valued at their acquisition or manufacturing cost or at the lower net realizable value. The associated allowances for doubtful accounts increased by EUR 0.3 million compared with the previous year (2018: reduction of EUR 1.2 million).

Similar to 2018, no inventories were pledged as collateral for liabilities during the period under review.

14 – Trade receivables

Trade receivables have the following components:

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Trade receivables at nominal value	373.1	314.3
Less allowance	-14.0	-11.0
Total	**359.1**	**303.3**

The increase in receivables reflects the improved earnings situation.

As of December 31, 2019, trade receivables and allowances for doubtful accounts were broken down as follows:

IN € MILLION

	Nominal value	Allowance
	Dec. 31, 2019	Dec. 31, 2019
Not overdue	275.1	–
Overdue <30 days	39.3	0.2
Overdue 30 – 90 days	29.4	0.8
Overdue >90 days	29.3	12.9
Total	**373.1**	**13.9**

IN € MILLION

	Nominal value	Allowance
	Dec. 31, 2018	Dec. 31, 2018
Not overdue	243.9	–
Overdue <30 days	36.6	0.2
Overdue 30 – 90 days	12.9	0.8
Overdue >90 days	20.9	10.0
Total	**314.3**	**11.0**

Allowance for doubtful accounts developed as follows:

IN € MILLION

	2019	2018
Balance at January 1	11.0	9.1
Exchange rate differences	0.1	-0.3
Additions	4.1	2.7
Amount used for write-offs	-0.9	-0.5
Reversals	-0.3	–
Balance at December 31, 2019	**14.0**	**11.0**

Trade receivables are non-interest bearing and are mainly on terms of up to 30 days. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The Group regards the concentration of risk with regard to trade receivables as low since a large number of its customers are distributed across different countries, specialize in different industries and operate on largely unconnected markets. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Expected credit loss rate as a %

	Dec. 31, 2019	Dec. 31, 2018
Not overdue	0%	0%
Overdue <30 days	1%	1%
Overdue 30 – 90	3%	6%
Overdue >90 days	45%	48%

The main reason for significantly higher allowance for 90 days past due category is the individual review of dealers in China which had financial difficulties already in the previous year. In line with this, shown above allowances for doubtful accounts are not representative of the total portfolio.

The fair value is a reasonable approximation of the book value since all receivables are due within less than one year.

15 – Other current assets

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Prepaid volume bonuses to US dealers	5.7	4.7
Receivables from finance leases	4.8	2.8
Government grant	1.7	–
Receivables from litigation	1.4	–
Receivables from customers	1.2	0.7
Deposits	0.9	0.5
Loans	0.8	0.8
Continuing involvement	0.5	–
Positive fair value from derivatives	0.3	2.3
Misc. other current financial assets	6.3	4.4
Other current financial assets	**23.6**	**16.2**
Sales tax	10.6	12.5
Advance payments	7.6	8.2
Advances to employees	0.2	0.2
Misc. other current non-financial assets	1.3	1.6
Other current non-financial assets	**19.7**	**22.5**
Total	**43.3**	**38.7**

The fair value of remaining current financial assets is a reasonable approximation of the book value since all items are due within less than one year.

Other current assets include the current portion of finance lease receivables in the amount of EUR 4.8 million (2018: EUR 2.8 million). This, in turn, includes lease receivables from a sales support measure amounting to EUR 1.9 million (2018: EUR 1.4 million).

The non-current portion of finance lease receivables is reported under the item “Other non-current financial assets” and amounted to EUR 15.4 million (2018: EUR 10.1 million).

The Group is a contractual partner in a factoring transaction, under which the bank is obliged to purchase trade receivables from fees already due from equipment sales payable over a period of several years. The continuing involvement in this sale of receivables includes a current portion in the amount of EUR 0.5 million (2018: EUR 0.0 million). Refer to item 29 “Additional information on financial instruments” for more information on this financial transaction. → Page 125

The future minimum lease payments break down as follows:

IN € MILLION

	December 31, 2019	December 31, 2018
Within one year	4.8	2.8
In between one and five years	17.0	10.7
After more than five years	0.2	0.0
Total	**22.0**	**13.5**

The following table shows the reconciliation of future minimum lease payments to gross and net investment in leases and to the present value of future minimum lease payments:

IN € MILLION

	December 31, 2019	December 31, 2018
Future minimum lease payments	22.0	13.5
Plus: Not guaranteed residual value	0.0	0.0
Gross investment in leases	22.0	13.5
Less: Unrealized financial income	-1.4	-0.6
Net investment in leases	20.6	12.9
Less: Allowances for doubtful debts	-0.4	0.0
Less: Present value of not guaranteed residual value	0.0	0.0
Present value of future minimum lease payments	**20.2**	**12.9**

The present value of future minimum lease payments was due as follows:

IN € MILLION

	December 31, 2019	December 31, 2018
Within one year	4.8	2.8
Between one and five years	15.2	10.1
After more than five years	0.2	0.0
Total	**20.2**	**12.9**

Investments in finance leases resulted primarily from the leasing business with construction equipment.

In 2019, the Group reported a profit on disposal of finance leases in the amount of EUR 0.6 million (2018: EUR 0.9 million).

In the same year, the Group reported interest income on finance lease receivables in the amount of 0.3 million (2018: EUR 0.0 million).

Refer to item 25 "Derivative financial instruments" in these Notes for more information about the positive fair value of foreign exchange forward contracts. → Page 122

The advance payments mainly relate to other services to be deferred in the ordinary course of business.

Refer to item 11 "Other non-current assets" for allowances relating to the current portion of prepaid volume bonuses to US dealers and finance lease receivables. → Page 111 None of these current assets were overdue.

16 – Cash and cash equivalents

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Petty cash	44.0	41.9
Bank balances	2.1	1.7
Cash deposits	0.2	0.2
Total	**46.3**	**43.8**

Daily cash balances held with banks bear interest at variable interest rates. Depending on the company's liquidity requirements, surplus cash and cash equivalents are set up as short-term term accounts running from one day to three months. The term accounts yield interest at the agreed prevailing rates.

Petty cash in the amount of EUR 161.4 million (including cash pool current account balances) (2018: EUR 130.2 million) was netted against cash pool current account liabilities amounting to EUR 117.4 million (2018: EUR 88.3 million), as a netting (offset) option was agreed with the cash pool bank. Current account balances at December 31, 2019 amounted to EUR 44.0 million (2018: EUR 41.9 million).

17 – Non-current assets held for sale

A tract of developed land and the associated building in Durban, South Africa, with a book value of EUR 0.8 million was reclassified as a "non-current asset held for sale" in fiscal 2019. The sale is expected to take place during the first quarter of 2020.

In addition, a tract of developed land and the associated building in Guaratuba, Brazil, with a book value of EUR 0.1 million was reclassified as a "non-current asset held for sale" in fiscal 2019. The sale is expected to take place during the first half of 2020.

In September 2019, a tract of developed land and the associated building in Manila, Philippines, with a book value of EUR 2.8 million was sold. This represented a gain of EUR 0.7 million on the book value.

18 – Equity

As in the previous year, subscribed capital amounted to EUR 70.1 million and is divided into 70,140,000 individual no-par-value registered shares, each representing a proportionate amount of the share capital of EUR 1.00. The share capital was fully paid-in at the closing date of the Consolidated Financial Statements.

Other reserves are as follows:

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Capital reserves	618.7	618.7
Exchange rate differences	-5.8	-11.6
Other changes without effect	-29.7	-19.6
Total	**583.2**	**587.5**

The capital reserves primarily result from share premiums in connection with the IPO and the merger with Wacker Neuson Beteiligungs GmbH (formerly Neuson Kramer Baumaschinen AG).

The reserve for exchange differences includes gains and losses from translating the annual financial statements of consolidated affiliates that are prepared in foreign currencies according to the concept of the functional currency to be recognized in equity with no impact on the financial result. As in the previous year, a foreign currency loan in US dollars to a foreign business operation was classified as part of a net investment in fiscal 2019. The nominal value amounts to

USD 60.0 million and was issued by the German parent company of the Group to the American sales affiliate Wacker Neuson Sales Americas LLC. The associated currency translation differences are recognized in the reserve for exchange rate differences. The large change relative to the previous year is mainly due to the movement of the USD rate. → page 90

Other changes without effect include reserves for the recognition of gains and losses from reevaluations of pensions and similar obligations, primarily actuarial gains and losses as well as results recognized in equity in connection with reporting of hedge accounting.

The company did not hold any treasury shares at December 31, 2019, nor at any point during the 2019 fiscal year or the previous year.

In 2019, the Group paid out EUR 77.2 million in dividends (EUR 1.10 per share). In 2018, the Group paid out EUR 42.08 million in dividends (EUR 0.60 per share). In 2020, the dividend payout proposal for fiscal 2019 amounts to EUR 42.08 million (EUR 0.60 per share). Proposed dividend payouts for no-par-value shares that require AGM approval were not recognized as a liability at December 31. Refer to the statement of changes in equity for further details on equity.

Authorized Capital 2019

At the AGM on May 30, 2017, the Executive Board was authorized to increase the company's share capital by May 29, 2022, subject to the approval of the Supervisory Board, by issuing up to 17,535,000 new, registered shares against cash contributions and/or contributions in kind, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000.00 (Authorized Capital 2017).

Treasury shares

In a further resolution passed at the AGM on May 30, 2017, the Executive Board is authorized, subject to the prior approval of the Supervisory Board, to acquire 7,014,000 treasury shares via the stock exchange by May 29, 2027. This acquisition may also be performed by one of the company's Group companies or for its or their account by third parties. In so doing, the shares acquired as a result of this authorization together with other shares in the company that it has already acquired and still holds may not at any time correspond to more than 10 percent of the existing share capital. Shares may not be purchased for the purpose of trading company shares on the stock exchange.

Rights, preferential rights and restrictions on shares

There are pool agreements between some shareholders and companies of the Wacker family on the one hand, and companies and shareholders of the Neunteufel family on the other, which essentially regulate the exercise of voting and petition rights at the AGM and restrict the transfer of shares. A pool agreement also exists between a shareholder of the Neunteufel family and Mr. Martin Lehner that permits the Neunteufel family shareholder to exercise the voting rights attributable to Mr. Martin Lehner's shares. For detailed information, refer to the Management Report "Restrictions affecting voting rights or the transfer of shares".

19 – Provisions for pensions and similar obligations

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Provisions for pension obligations	61.8	52.3
Provisions for other obligations to employees	–	–
Total	**61.8**	**52.3**

Within the Group, there are various types of employee retirement benefit schemes worldwide for old age and surviving dependents' pensions. Most of the schemes provide for the payment of fixed lump-sum amounts. The others are defined retirement plans with a pension paid from retirement until death. The amounts to be paid are based on the ranking of the employee concerned (with respect to both salary and hierarchy) as well as their years of service to the company.

At the parent company, pension commitments due to enter into effect as of retirement age are primarily in place for Executive Board members, as well as for former executives and Executive Board members.

The foreign affiliate in Switzerland has statutory pension plans in place in accordance with the Federal Law on Occupational Old Age, Survivors' and Invalidity Pensions (BVG), which are accounted for as defined benefit plans according to IAS 19. These defined benefit plans are financed by liability insurance. In this case, the individual company makes contributions to the relevant pension insurance schemes due to legal requirements. Although future pension benefits are generally dependent on the contributions saved, including interest, the guarantees contained in the pension law leave a residual risk for the individual company.

For the remaining domestic and foreign companies, the schemes partly provide for a lump-sum payment which is based on the salary at retirement age multiplied by a factor based on years of service with the company, and partly for pension payments from retirement until death, based on the employee's earnings, to those who fulfill the time-of-service requirements, which differ from country to country.

The defined benefit plans are partly financed by liability insurance. There are also pension commitments that are not financed by liability insurance or funds, where the Group pledges to make future payments when the pension payouts are due. This primarily refers to pension commitments governed by the legal framework of individual countries (adjustments to pensions, for example).

Domestic and foreign affiliates also have defined contribution plans. In such cases, the individual company makes contributions to the relevant pension insurance schemes either because of legal requirements or contractual agreements. There is no further obligation for the company beyond these payments. The periodic contributions are recognized as an expense under profit before interest and tax (EBIT) in the respective year.

The actuarial valuation is essentially based on the following assumptions, with the exception of the Swiss pension plans (see separate statement):

		2019	2018
Actuarial assumptions[1]			
Discount rate	as a %	1.18	1.87
Salary trends	as a %	0.58	0.57
Pension trends	as a %	1.75	1.80
Retirement age	in years	62	62

Weighted average of the individual benefit schemes

The actuarial valuation for the Swiss pension plans is essentially based on the following assumptions:

		2019	2018
Actuarial assumptions			
Discount rate	as a %	0.25	0.90
Salary trends	as a %	0.75	1.00
Retirement age	in years	64	64

Pension obligations are distributed as follows:

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Fair value of pension obligations, funded	61.0	49.2
Fair value of plan assets	-30.2	-24.8
Shortfall in pension obligations, funded	**30.8**	**24.4**
Fair value of pension obligations, not funded	31.0	27.9
Shortfall in all pension obligations	**61.8**	**52.3**
Pension obligations	**61.8**	**52.3**

The changes in the present value of pension obligations and in plan assets are as follows:

IN € MILLION

	2019	2018
Changes in the present value of pension obligations		
Balance at January 1	77.1	75.8
Current service costs	1.7	1.3
Interest expense	1.3	1.1
Contributions by plan participants	2.6	–
New valuations:		
Actuarial gains/losses		
- from changes to demographic assumptions	-0.1	0.7
- from changes to financial assumptions	10.7	1.0
Experience adjustments	-0.1	-0.7
Changes in exchange rate	1.0	0.2
Paid benefits	-2.2	-2.3
Past service cost	–	–
Balance at December 31	**92.0**	**77.1**

IN € MILLION

	2019	2018
Changes in fair value of plan assets		
Balance at January 1	24.8	22.8
Interest income	0.4	0.2
Changes in exchange rate	0.6	–
New valuations:		
From changes to financial assumptions	-0.1	0.1
Experience adjustments	–	-0.1
Employer's contributions	2.3	2.1
Contributions by plan participants	2.6	–
Payouts	-0.4	-0.3
Settlements		
Balance at December 31	**30.2**	**24.8**

Plan assets include pension liability insurance with German life insurance schemes where future payments are pledged in favor of the entitled recipient. Pension liability insurance schemes are not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 15.2 million (2018: EUR 13.8 million). Pension liability insurance is also held with Swiss life insurance schemes where future payments are pledged in favor of the entitled recipient. The Swiss pension liability insurance scheme is not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 15.0 million (2018: EUR 11.0 million).

The average duration of the defined benefit plan obligation at the end of the reporting period is 16.6 years (2018: 16.4 years).

The investment strategy for plan assets, primarily German and Swiss pension liability insurance, is designed to achieve a sufficient return on investment in connection with contributions, with a view to managing the financing risk from pension obligations appropriately. The actual contributions may differ from the investment strategy as a result of changing economic conditions.

Pension expenses are as follows:

IN € MILLION

	2019	2018
Current service costs	1.7	1.3
Interest expense for pension obligations	1.3	1.1
Net interest	-0.4	-0.2
Past service cost	–	–
Total pension expense from defined benefit schemes	**2.6**	**2.2**
Total pension expense from defined contribution schemes	**0.2**	**0.1**
Total contributions to statutory pension insurance schemes	**26.0**	**21.8**
Total pension expense	**28.8**	**24.1**

Interest expense ensuing from pension obligations is recognized in the financial result. The remaining pension expense is part of personnel costs, shown in the appropriate functional line of the income statement.

The valuation date for the current value of fund assets and the present value of obligations is December 31 for each year. The base value for the calculation of unaccrued interest concerning pension obligations is the present value of obligations as at January 1. The base value for the anticipated return on fund assets is the current value as at January 1. Transfers during the year are accounted for on a pro-rata basis.

The contributions expected to be made to German fund assets in 2019 amount to EUR 1.6 million (2018: EUR 2.1 million).

The following overview shows the projected pension pay-outs for the next five years:

IN € MILLION

Due in 2020	2.4
Due in 2021	2.2
Due in 2022	2.3
Due in 2023	2.8
Due in 2024	2.3

The following overview shows the sensitivity of key actuarial assumptions:

IN € MILLION

	as a %	Sensitivity	Increase in valuation parameters	Decrease in valuation parameters
Discount rate	1.18	+/- 1.00 %	-19.0	24.8
Salary trends	0.58	+/- 0.50 %	12.5	-12.2
Pension trends	1.75	+/- 0.50 %	14.6	-12.8

The sensitivity analysis shows how the value of pension obligations would develop if individual actuarial assumptions changed. The sensitivity is determined solely on the basis of the projected unit credit method. This involves determining and displaying the impact of a change to individual actuarial assumptions, while all other assumptions remain unchanged.

The following risks arise for the Group from pension commitments:

- A reduction in the discount rate results in a rise in pension obligations.
- An increase in life expectancy results in a rise in pension obligations.

The following table shows the effects of a one percentage point increase or reduction in assumed healthcare costs:

IN € MILLION

	Additions	Reversals
2019		
Effect on the present value of pension obligations	0.1	-0.1
2018		
Effect on the present value of pension obligations	0.1	-0.1

The present value of obligations as well as pension pay-outs and reevaluations are distributed as follows across pension obligations and healthcare contributions:

IN € MILLION

	2019	2018
Provisions for pensions recorded in the balance sheet		
Pension obligations	60.8	51.4
Healthcare	1.0	0.9
Total	**61.8**	**52.3**
Pension expenses listed under EBIT		
Pension obligations	1.7	1.3
Healthcare	–	–
Total	**1.7**	**1.3**
New valuations		
Pension obligations	10.6	0.8
Healthcare	–	-0.4
Total	**10.6**	**0.4**

20 – Other provisions

IN € MILLION

	Balance at Jan. 1, 2019	Currency	Utilization	Additions	Reversals	Balance at Dec. 31, 2019
Provisions						
Warranties	11.9	0.1	-4.0	7.3	-1.0	14.3
Obligations towards employees	6.9	–	-3.6	6.4	-1.0	8.7
Professional fees	0.1	–	–	0.2	–	0.3
Litigation costs	0.4	–	-0.1	–	-0.1	0.2
Other provisions	2.3	–	-1.0	0.7	–	2.0
Total	**21.6**	**0.1**	**-8.7**	**14.6**	**-2.1**	**25.5**

IN € MILLION	Balance at Jan. 1, 2018	Currency	Utilization	Additions	Reversals	Balance at Dec. 31, 2018
Provisions						
Warranties	12.4	0.1	-3.8	4.1	-0.9	11.9
Obligations towards employees	6.4	-0.1	-2.2	3.0	-0.2	6.9
Professional fees	0.2	–	-0.1	–	–	0.1
Litigation costs	0.6	–	-0.2	0.3	-0.3	0.4
Other provisions	3.4	–	-2.0	1.5	-0.6	2.3
Total	**23.0**	**–**	**-8.3**	**8.9**	**-2.0**	**21.6**

An interest effect of less than EUR 0.1 million was recognized in the provisions for 2019 (2018: EUR 0.1 million).

The due dates of the above provisions are distributed as follows:

IN € MILLION

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at Dec. 31, 2019
Provisions			
Warranties	12.1	2.2	14.3
Obligations towards employees	4.3	4.4	8.7
Professional fees	0.3	–	0.3
Litigation costs	0.2	–	0.2
Other provisions	0.7	1.3	2.0
Total	**17.6**	**7.9**	**25.5**

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at December 31, 2018
Provisions			
Warranties	10.7	1.2	11.9
Obligations towards employees	3.6	3.3	6.9
Professional fees	0.1	–	0.1
Litigation costs	0.2	0.2	0.4
Other provisions	1.1	1.2	2.3
Total	**15.7**	**5.9**	**21.6**

Company obligations from employee work accounts are offset against securities classified as assets, which are created in order to secure these claims. Obligations from employee work accounts came to EUR 7.5 million (2018: EUR 6.4 million). The cost of acquiring the securities amounts to EUR 6.7 million (2018: EUR 5.0 million) and the fair value at December 31, 2019 was EUR 7.5 million (2018: EUR 6.4 million), of which EUR 7.5 million is offset (2018: EUR 6.4 million).

21 – Long- and short-term financial liabilities

Financial liabilities comprise the following amounts, recognized under the balance sheet items "Long-term financial borrowings": EUR 372.4 million (2018: EUR 214.7 million), "Short-term liabilities to financial institutions": EUR 112.4 million (2018: EUR 33.8 million) and "Current portion of long-term borrowings": EUR 0.5 million (2018: EUR 0.0 million).

Following the initial application of IFRS 16 "Leases", long- and short-term lease liabilities are recognized in separate lines in the balance sheet for comparative reporting periods. For further information, refer to the item "Standards and interpretations applied for the first time in the fiscal year under review" in these Notes. → Page 83

Long-term financial borrowings include non-current liabilities from sale-and-lease-back transactions in the amount of EUR 3.9 million (2018: EUR 0.0 million). The current portion of long-term borrowings includes current liabilities from sale-and-lease-back transactions in the amount of EUR 0.5 million (2018: EUR 0.0 million). The Group reported a loss of less than EUR 0.1 million from sale-and-leaseback transactions in fiscal 2019.

The book values of financial liabilities developed as follows:

IN € MILLION

	Dec. 31, 2019	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	110.2	109.2	1.0	–
Promissory note (Schuldschein)	365.2	1.5	263.8	99.9
Investment “SpeedInvest”	2.1	1.2	0.9	–
Liabilities from sale-and-leaseback	4.4	0.5	3.7	0.2
Continuing involvement	3.4	0.5	2.9	–
Total	**485.3**	**112.9**	**272.3**	**100.1**

	Dec. 31, 2018	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	2.8	2.2	0.6	–
Promissory note (Schuldschein)	243.6	31.6	192.4	19.6
Investment “SpeedInvest”	2.1	–	2.1	–
Liabilities from sale-and-leaseback	–	–	–	–
Continuing involvement	–	–	–	–
Total	**248.5**	**33.8**	**195.1**	**19.6**

The following table shows the remaining contractual periods of the financial liabilities at December 31, 2019, together with the estimated interest payments. These are undiscounted gross amounts which include the estimated interest payments.

IN € MILLION

	Dec. 31, 2019	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	110.3	109.3	1.0	–
Promissory note (Schuldschein)	388.3	5.7	280.7	101.9
Outstanding payment investment “SpeedInvest”	2.1	1.2	0.9	–
Liabilities from sale-and-leaseback	4.8	0.6	4.0	0.2
Continuing involvement	3.4	0.5	2.9	–
Total	**508.9**	**117.3**	**289.5**	**102.1**

	Dec. 31, 2018	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	2.8	2.2	0.6	–
Promissory note (Schuldschein)	265.5	37.1	207.7	20.7
Outstanding payment investment “SpeedInvest”	2.1	–	2.1	–
Liabilities from sale-and-leaseback	–	–	–	–
Continuing involvement	–	–	–	–
Total	**270.4**	**39.3**	**210.4**	**20.7**

Borrowings from banks

Borrowings from banks include the following items:

BORROWINGS FROM BANKS

	Dec. 31, 2019 IN € MILLION	Interest rate as a percentage	Interest rate type	Due dates
Money market loans in EUR	55.0	–	fixed	< 1 year
Money market loans in USD	34.9	2.3 - 2.9	fixed	< 1 year
Money market loans in EUR	18.3	0.6	variable	< 1 year
Loans in South African rand	0.2	8.8	variable	< 1 year
Loans in Brazilian reals	1.0	13.8	variable	< 1 year
Loans in Brazilian reals	0.9	13.8	variable	>1 year
Total	**110.3**			

	Dec. 31, 2018 IN € MILLION	Interest rate as a percentage	Interest rate type	Due dates
Bank overdrafts in USD	1.9	1.2 - 4.0	fixed	< 1 year
Loans in Brazilian reals	0.9	4.0	variable	< 1 year
Total	**2.8**			

Refer to item 33 “Risk management” in these Notes for information on the sensitivity of interest risks associated with variable-interest borrowings. → Page 131

The following table lists the assured credit lines that were not utilized by Wacker Neuson SE:

IN € MILLION

	2019
First credit line EUR/USD	6.8
Second credit line EUR/USD	58.0
Third credit line USD	13.4
Fourth credit line EUR	40.0
Fifth credit line EUR	25.0
Sixth credit line EUR	35.0
Seventh credit line EUR	40.0
Eighth credit line EUR	20.0
Ninth credit line EUR	10.0
Tenth credit line EUR	15.0
Eleventh credit line EUR	12.9
Twelfth credit line BRL	1.4
Thirteenth credit line TRY	0.1
Fourteenth credit line EUR	20.0
Fifteenth credit line EUR	0.3
Sixteenth credit line EUR	15.0
Seventeenth credit line EUR	20.0
Eighteenth credit line EUR	1.1
Nineteenth credit line ZAR	0.5
Twenty first credit line EUR	0.3
Total	**334.8**

IN € MILLION

	2018
First credit line EUR	15.0
Second credit line BRL	0.4
Third credit line USD	20.8
Fourth credit line EUR	10.0
Fifth credit line EUR	0.3
Sixth credit line EUR	20.0
Seventh credit line EUR	25.0
Eighth credit line EUR	10.0
Ninth credit line EUR	25.0
Tenth credit line EUR	75.0
Eleventh credit line EUR	20.0
Twelfth credit line EUR	65.0
Thirteenth credit line EUR	40.0
Fourteenth credit line EUR	20.0
Fifteenth credit line ZAR	0.1
Sixteenth credit line EUR	15.0
Seventeenth credit line TRY	0.1
Eighteenth credit line EUR	35.0
Nineteenth credit line JPY	0.1
Twentieth credit line EUR	0.1
Total	**396.9**

Promissory note (Schuldschein)

On May 6, 2019, Wacker Neuson SE placed a promissory note (Schuldschein) in the amount of EUR 150 million. The promissory note (Schuldschein) was issued in two tranches of five and seven years, each with fixed interest rates and at attractive conditions. This has secured the long-term financing basis needed for the Group's growth plans set out in its Strategy 2022 initiative.

One tranche of a promissory note (Schuldschein) was also issued in fiscal 2017:

	Dec. 31, 2019 Repayment amount	Dec. 31, 2019 Transaction fees	Dec. 31, 2019 Total nominal value	Dec. 31, 2019 Interest rate as a %	Due date
Promissory note (Schuldschein) in € – Tranche I	125.0	0.1	124.9	0.69	February 2022
Promissory note (Schuldschein) in € – Tranche II	70.0	–	70.0	0.65	May 2024
Promissory note (Schuldschein) in € – Tranche III	80.0	0.1	79.9	0.99	May 2026
Total, € MILLION	275.0	0.2	274.8		
Promissory note (Schuldschein) in USD – Tranche I	77.5	0.1	77.4	3.97	March 2023
Promissory note (Schuldschein) in USD – Tranche II	22.5	–	22.5	4.24	March 2025
Total, USD MILLION	**100.0**	**0.1**	**99.9**		

Liquid funds payable from the promissory note (Schuldschein) in euros refer to annual interest through 2022 on the first tranche in the amount of EUR 0.9 million and a repayment of EUR 125.0 million to be made on February 28, 2022. For the second tranche, annual interest payments in the amount of EUR 0.5 million are to be made through 2024 and a repayment in the amount of EUR 70.0 million is due on May 8, 2024. For the third tranche, annual interest payments in the amount of EUR 0.8 million are to be made through 2026 and a repayment in the amount of EUR 80.0 million is due on May 8, 2026.

Liquid funds payable from the promissory note (Schuldschein) in US dollars refer to annual interest through 2023 on the first tranche in the amount of USD 3.1 million and a repayment of USD 77.5 million to be made on March 2, 2023. For the second tranche, annual interest payments in the amount of USD 1.0 million are to be made through 2025

The fair value for the promissory notes (Schuldschein) in euros and US dollars amounted to EUR 371.5 million at December 31, 2019 (2018: EUR 245.0 million) (measurement of fair value at hierarchy level 3). All other fair values of financial liabilities largely correspond to the book values.

and a repayment in the amount of USD 22.5 million is due on March 3, 2025.

The first tranche of the promissory note (Schuldschein) in US dollars contains nominal value of USD 25.0 million, bearing variable interest under the 3-month US dollar LIBOR rate plus a bank margin of 1.25 percent.

The second tranche of the promissory note (Schuldschein) in US dollars contains nominal value of USD 15.0 million, bearing variable interest under the 3-month US dollar LIBOR rate plus a bank margin of 1.45 percent.

Variable interest rates for both tranches of the promissory note (Schuldschein) in US dollars are hedged with the interest rate swap.

Financial covenants

There are no covenants or collateral for existing financial instruments.

22 – Trade payables

As of December 31, 2019, trade payables (at book value) were broken down as follows:

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Trade payables	**149.9**	**212.8**
Book value due < 30 days	121.9	156.3
Book value due 30 – 90 days	27.6	54.7
Book value due > 90 days	0.4	1.8

Interest does not accrue on trade payables. The decrease in trade payables is primarily attributable to the reduced production output in the second half of the year. In the prior year, this figure was also boosted by an increase in stock of pre-buy engines. The recognized carrying amount of trade payables corresponds to fair values due to the short term to maturity.

23 – Other current liabilities

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted
Other accruals/deferrals	25.7	26.1
Liabilities to customers	5.4	4.0
Misc. other current financial liabilities	3.4	3.0
Derivatives	7.2	2.5
Other current financial liabilities	**41.7**	**35.6**
Other tax accruals/deferrals and tax liabilities	5.5	3.6
Personnel accruals/deferrals	31.2	29.8
Sales tax liabilities	13.4	13.9
Other current non-financial liabilities	**50.1**	**47.3**
Total	**91.8**	**82.9**

The other accruals/deferrals mainly consist of outstanding invoices.

In the prior year, down-payments were received in the amount of EUR 3.0 million, as well as other current accruals/deferrals in the amount EUR 3.8 million, largely in the form of extended guarantees. In fiscal 2019, these are recognized separately on the balance sheet under contract liabilities.

The fair values of current financial liabilities are reasonable approximations of the book values.

24 – Contract liabilities

Contract liabilities consisted primarily of down-payments received in the amount of EUR 2.4 million (2018: EUR 3.0 million), extended guarantees in the amount of EUR 4.2 million (2018: EUR 2.7 million) and prepaid services in the amount of EUR 2.8 million (2018: EUR 1.1 million), which are to be recognized as revenue in subsequent fiscal years. Of these contract liabilities, EUR 3.9 million (2018: EUR 2.7 million) are non current.

Of the contract liabilities reported in the balance sheet in the previous year, EUR 4.3 million have been recognized as revenue in the current fiscal year.

25 – Derivative financial instruments

The Group uses FX forwards / forward currency contracts (currency derivatives) and interest rate swaps. Refer to item 29 "Additional information on financial instruments" for the accounting treatment. → Page 125 The nominal amounts and fair values of derivative financial instruments (interest rate swap and currency hedges) are recognized as follows as at December 31, 2019, and December 31, 2018:

IN € MILLION

	Dec. 31, 2019 Nominal value	Dec. 31, 2019 Market value	Dec. 31, 2018 Nominal value	Dec. 31, 2018 Market value
Assets				
Currency hedges	26.6	0.3	89.1	2.3
Total	**26.6**	**0.3**	**89.1**	**2.3**
Liabilities				
Currency hedges	213.7	5.7	135.5	1.9
Interest rate swap	35.6	1.5	35.0	0.4
Total	**249.3**	**7.2**	**170.5**	**2.3**

Refer to item 29 “Additional information on financial instruments” in these Notes for information regarding net profits and losses from these financial instruments. → Page 125

IN € MILLION

	Up to 1 year Nominal value	1 to 5 years Nominal value	Over 5 years Nominal value
Assets			
Currency hedges	26.6	–	–
Total	26.6	–	–
Liabilities			
Currency hedges	186.6	27.1	–
Interest rate swap	–	22.3	13.3
Total	**186.6**	**49.4**	**13.3**

26 – Lease liabilities

The Group rents various buildings for branch offices and warehouses as well as office buildings, facilities and vehicles. Rental contracts are generally concluded for fixed terms of three to ten years. Some contracts, however, may contain extension options. These are outlined in the “Material discretionary decisions, estimates and assumptions” section below. Rent conditions are negotiated on a case-by-case basis and include a wide range of different conditions. Leases do not contain any credit conditions. However, leased assets may not be used as security for taking out loans.

The Group has also entered into lease agreements for leased assets with a term of twelve months or less, and for low-value office equipment. The Group applies to these leases the practical expedients applicable to short-term leases and to leases involving low-value assets.

A detailed explanation of right-of-use lease assets for fiscal 2019 is provided separately under item 8, “Property, plant and equipment”, in these Notes. We refer to this section to avoid duplicating information. → Page 105

The following table shows the book values of leasing liabilities and the changes during the reporting period:

IN € MILLION

	Dec. 31, 2019
At Jan. 1, 2019	**78.0**
Exchange rate differences	0.5
Additions	40.6
Disposals	-2.6
Interest expense	2.9
Payments	-27.3
At Dec. 31, 2019	**92.1**
Of which short-term	25.2
Of which long-term	66.9

The book values of leasing liabilities by term were as follows:

IN € MILLION

	Dec. 31, 2019	Up to 1 year	1 to 5 years	Over 5 years
Leasing liabilities (incl. sale-and-lease-back before 2019)	92.1	25.2	51.1	15.8

IN € MILLION

	Dec. 31, 2018	Up to 1 year	1 to 5 years	Over 5 years
Liabilities from finance leases (sale-and-lease-back, IAS 17)	4.0	1.4	2.6	–

The Group’s leasing liabilities have the following maturities. The figures are based on contractual, undiscounted payments.

IN € MILLION

	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years
Leasing liabilities	7.3	17.9	53.8	20.9

The following amounts were recognized in profit or loss in the reporting period:

IN € MILLION

	Dec. 31, 2019
Depreciation expense on right-of-use assets	20.1
Interest expense on leasing liabilities	2.9
Income from subleasing right-of-use-assets, reported under other income	0.1
Expense for short-term leases (included in cost of sales)	0.4
Expense for short-term leases (included in sales and service expenses)	1.2
Expense for short-term leases (included in general and administrative expenses)	0.1
Expense for leases on low-value assets (included in manufacturing costs)	0.2
Expense for leases on low-value assets (included in sales and service expenses)	0.1
Expense for leases on low-value assets (included in general and administrative expenses)	0.1
Variable lease payments	0.3
Total recognized in profit or loss	**25.3**

The Group’s cash outflow for leases in 2019 amounted to EUR 26.2 million. Furthermore, the Group recorded non-cash additions to right-of-use assets and leasing liabilities in 2019 amounting to EUR 40.6 million.

The following table shows the undiscounted potential future lease payments for periods after the exercise date of extension options not included in the lease term.

IN € MILLION	Within five years	Over five years	Total
Extension options where exercise is not expected	7.9	33.6	41.5

The Group has signed a number of leases that had not yet taken effect on December 31, 2019. Future lease payments for these non-cancellable leases amount to EUR 1.5 million for the next year, EUR 4.4 million for years two to five, and EUR 0.0 million thereafter.

Other information

27 – Contingent liabilities

Contingent liabilities, on the one hand, represent possible obligations that may be incurred depending on the occurrence of a future event or events which are of an uncertain nature and not wholly within the control of the company. On the other hand, contingent liabilities represent present obligations for which payment is not probable or the amount of the obligation cannot be determined with sufficient reliability.

The Group has undersigned the following guarantees:

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Guarantees	0.3	1.3

28 – Other financial liabilities

a) Obligations

Since January 1, 2019, the Group has applied the IFRS 16 regulations for recognizing leasing obligations. Most financial obligations are now recognized under long- and short-term leasing liabilities on the balance sheet. Refer to item 26 “Leasing liabilities” in these Notes for information on future lease payments reported in the balance sheet as at December 31, 2019. → Page 122 Refer to the section “Standards and interpretations applied for the first time in the fiscal year under review” in these Notes for a reconciliation of financial obligations from operating leases recognized as at December 31, 2018 and leasing obligations reported in the balance sheet as at January 1, 2019. → Page 83

The prior-year figures for obligations reported below now only contain all payments for service agreements.

The terms of the obligations for service contracts are as follows:

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted
Obligations due within 1 year	13.2	7.0
Obligations due in 1 to 5 years	7.5	3.5
Obligations due in more than 5 years	0.2	0.3
Total	**20.9**	**10.8**

The increase in obligations for service contracts by EUR 10.1 million to EUR 20.9 million is mainly due to reassessment of the renewal and termination options of some existing service agreements, as well as to newly concluded agreements.

b) Obligations resulting from investment decisions / takeback and purchase commitment obligations

Financial obligations ensuing from construction and investment projects amounting to EUR 10.9 million (2018: EUR 1.0 million) and from takeback obligations amounting to EUR 73.4 million (2018: EUR 62.3 million) have been recognized. Based on historical experience and on the current market situation the Group considers the probability of its takeback obligations to be insignificant. Therefore, no refund liabilities or right-of-return assets are recorded.

In addition, unconditional purchase commitments amounting to EUR 193.8 million (2018: EUR 244.5 million) are in place.

c) Legal proceedings and court cases

In the course of its normal activities, the company is exposed to judicial and extrajudicial proceedings from time to time. The outcome of these proceedings often depends on an uncertain future event and cannot be predicted with certainty. The Group is involved in a number of individual cases where the outcomes are considered to be insignificant.

29 – Additional information on financial instruments

The book and fair values of financial assets and liabilities are presented in the following table, which also shows how the individual items are categorized.

IN € MILLION

	2019 Fair value	2019 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Assets						
Investments	11.5	11.5	–	11.5	–	–
Other non-current financial assets	94.9	94.9	–	1.6	77.5	15.8
Trade receivables	359.1	359.1	–	–	359.1	–
Other current financial assets	23.6	23.6	0.3	–	18.5	4.8
Cash and cash equivalents	46.3	46.3	–	–	46.1	0.2

IN € MILLION

	2019 Fair value	2019 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Liabilities						
Long-term financial borrowings	379.5	372.4	–	–	372.4	–
Trade payables	149.9	149.9	–	–	149.9	–
Short-term liabilities to financial institutions	112.4	112.4	–	–	112.4	–
Current portion of long-term borrowings	0.5	0.5	–	–	0.5	–
Other short-term financial borrowings	41.7	41.7	4.2	3.0	34.5	–

IN € MILLION

	2018 Fair value	2018 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Assets (adjusted)						
Investments	3.0	3.0	–	3.0	–	–
Other non-current financial assets	75.8	75.8	–	1.6	64.1	10.1
Trade receivables	303.3	303.3	–	–	303.3	–
Other current financial assets	16.2	16.2	1.3	1.0	11.1	2.8
Cash and cash equivalents	43.8	43.8	–	–	43.6	0.2

IN € MILLION	2018 Fair value	2018 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Liabilities (adjusted)						
Long-term financial borrowings	216.6	214.7	–	–	214.7	–
Trade payables	212.8	212.8	–	–	212.8	–
Short-term liabilities to financial institutions	33.8	33.8	–	–	33.8	–
Current portion of long-term borrowings	–	–	–	–	–	–
Other short-term financial borrowings	35.6	35.6	1.1	1.4	33.1	–

The following table shows the net profits and losses from financial instruments based on valuation categories. It does not include any effects on income resulting from finance leases as these are not allocated to any valuation categories defined in IFRS 9. Similarly, interest and dividends have not been recognized on the net profits and losses from financial instruments.

IN € MILLION	Dec. 31, 2019	Dec. 31, 2018
At amortized cost	3.3	3.0
Measured at fair value recognized in the income statement	5.6	1.8
Financial liabilities measured at amortized cost	-0.9	-1.5

The net gain/loss from the category receivables valued “At amortized cost” results from provision for expected losses on trade receivables.

The gains and losses from adjustments to the fair value of derivatives that do not meet hedge accounting criteria are included in the category “Measured at fair value through profit or loss”.

Total interest income (EUR 0.3 million; 2018:EUR 0.2 million) and total interest expense (EUR 9.6 million; 2018: EUR 5.9 million) were recognized for financial assets and liabilities (calculated using the effective interest rate method) that were not measured at fair value through profit and loss.

Financial instruments in the form of foreign currency trade receivables and payables are valued at the relevant spot rates applicable on the balance sheet dates. This results in income in the amount of EUR 2.2 million (2018: EUR 0.1 million expenses) which is reported in the financial result.

The Group uses derivative financial instruments, such as forward currency contracts, currency swaps and interest rate swaps, to hedge its foreign exchange risks and interest rate risks. Such derivative financial instruments are initially recognized at the date on which a derivative contract is entered into, as subsequently measured, at fair value. The Group uses currency swaps to hedge exchange risks from loans issued internally by the holding company to its affiliates. The Group does not apply hedge accounting within the scope of IAS 39 to this area, as the effects from the hedging relationship are recognized through profit or loss in the financial result. In the period under review, financial assets in the amount of EUR 0.3 million (2018: EUR 1.3 million) were accounted for from positive market values. For negative market values, the Group recognized a financial liability in the amount of EUR 4.2 million (2018: EUR 1.1 million).

An interest rate swap was also concluded in 2019 to hedge the interest rate risk from the variable tranche of the promissory note (Schuldschein) in US dollars. The Group uses cash flow hedging accounting in accordance with IAS 39 for this purpose. This results in a financial liability of EUR 1.5 million (2018: EUR 0.4 million) at fair value.

In addition, the Group uses forward currency contracts to hedge the currency risk arising from future purchase transactions in foreign currencies. The Group uses cash flow hedging accounting in accordance with IAS 39 for this purpose. In this context, EUR 1.5 million (2018: EUR 0.3 million) is recognized directly in equity.

The table below shows the financial instruments subsequently measured at fair value. Refer to the section on accounting and valuation methods for information on how fair value is categorized (into hierarchical levels) in accordance with IFRS 13.

The methods and assumptions used to determine the fair values were as follows:

IN € MILLION

	Level 1	Level 2	Level 3	Dec. 31, 2019
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	0.3	–	0.3
Hedged derivatives	–	–	–	–
Financial assets categorized “measured at fair value not recognized in the income statement”				
Securities	1.6	–	–	1.6
Investment	–	–	11.5	11.5
Financial liabilities categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	4.2	–	4.2
Hedged derivatives	–	3.0	–	3.0

IN € MILLION

	Level 1	Level 2	Level 3	Dec. 31, 2018
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	1.3	–	1.3
Hedged derivatives	–	1.0	–	1.0
Financial assets categorized “measured at fair value not recognized in the income statement”				
Securities	1.6	–	–	1.6
Investment	–	–	3.0	3.0
Financial liabilities categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	1.1	–	1.1
Hedged derivatives	–	1.4	–	1.4

Long-term fixed and variable rate receivables/borrowings are evaluated by the Group based on parameters including interest rates, country-specific risk factors, the creditworthiness of individual customers and the risk characteristics of the financed project. Based on this evaluation, allowances for doubtful accounts are made to account for the expected losses from these receivables. As of December 31, 2019, the book values of these receivables, less allowances for doubtful accounts, corresponded approximately to their calculated fair values.

The fair value of financial assets measured at “fair value with changes recognized in equity” is derived from quoted prices on active markets for pension funds. The minority shareholding in Austria in the form of unlisted shares is allocated to level 3 – fair value hierarchy. The fair values of unlisted shares were determined using the discounted cash flow method. The valuation requires external portfolio management to make certain assumptions regarding the input factors of the model, including forecasted cash flows from shares held within the portfolio, 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 external portfolio management’s estimate of fair value for these non-listed equity investments.

In 2019, the Group acquired an EUR 8.9 million minority shareholding in a company. The purpose of this was to strengthen its sales network in the US. This non-listed equity investment is allocated to level 3 – fair value hierarchy. The fair values have been estimated using the discounted cash flow method. The valuation requires internal management to make certain assumptions regarding the input factors of the model, including forecasted 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. This shareholding is measured at fair value with changes recognized in equity.

The Group concludes derivative financial instruments with various counterparties, principally financial institutions with a high credit rating. Derivatives valued by applying an evaluation process with inputs observable on the market primarily include forward exchange contracts. The most frequently used evaluation methods include forward price models using present value calculations. The models incorporate various inputs including the credit standing of the business partner, spot exchange rates, futures rates and forward exchange rates.

The fair values of the Group’s interest-bearing loans are determined using the discounted cash flow method. The discount rate used reflects the borrowing rate of the issuer at the close of the period under review. The Group’s own risk of non-performance was classified as low at December 31, 2019.

If the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates whether and – if so – to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all of the risks and rewards associated with the asset, nor transferred control over the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are evaluated in due consideration of the rights and obligations that the Group has retained. The Group is party to a factoring transaction, from which a continuing involvement of EUR 3.4 million (2018: EUR 0.0 million) is recognized under other assets. Wacker Neuson is a contractual partner to a factoring transaction. As part of this transaction, a North American bank is obliged to purchase all trade receivables from fees already due and also fees which are payable over a period of several years from the sale of machines. In individual cases Wacker Neuson is free to decide whether and to what extent the nominal volume is used, however, at most up to the contractually agreed maximum threshold.

In these agreements, the purchase price is paid out up to a contractually agreed amount immediately upon purchase. Any parts of the purchase price over and above this amount are only paid out if the stock

of sold receivables falls again accordingly. The risks relevant for the risk assessment with regard to the sold receivables are the credit risk (default risk). Wacker Neuson bears credit-risk related defaults from the various tranches, in each case up to a specified amount; the other credit-risk related defaults are borne by the banks. As a result of the split in the material risks between Wacker Neuson and the banks, practically none of the opportunities and risks associated with the sold receivables were transferred or retained (splitting material opportunities and risks between Wacker Neuson and the buyer).

Wacker Neuson continues to perform receivables management (servicing) for the sold receivables. Buyers have the right to transfer servicing to a third party without specific reasons. Although Wacker Neuson is not authorized to otherwise dispose of the sold receivables other than in its role of servicer, it retains the right of disposal for the sold receivables as a result of the agreed first loss guarantees, as the acquiring banks do not have the actual ability to re-sell the acquired receivables.

When the receivable is sold, the fair value of the expected losses is expensed as incurred. Anticipated future payments are carried as a component of the associated liability.

Certain components of the purchase price are initially retained and, depending on the amount of the actual default on the receivables are only paid out to Wacker Neuson at a later date. To the extent that it is expected that these purchase price components will be received at a later date, they are capitalized at fair value.

Wacker Neuson continues to carry the sold trade receivables in the amount of its continuing involvement, i.e. at the maximum amount at which it retains liability for the credit risk and late payment risk inherent in the sold receivables, and carries a liability in the corresponding amount disclosed under borrowings from banks. The receivables and the associated liability are subsequently derecognized to the extent that Wacker Neuson's continuing involvement is reduced (in particular when payments are made by customers). The carrying amount of the receivables is subsequently reduced by the extent to which the actual losses to be borne by Wacker Neuson resulting from the credit risk exceed the losses initially anticipated. This amount is recognized as an expense.

Further details on the initial financial transaction for the transfer of assets is included in the following table; no such transaction was performed in the previous year.

IN € MILLION

	2019
Transferred assets	
End of contractual terms *in year*	2024
Contractual maximum volume	30.1
Sold receivables volume on balance sheet date	20.8
Range of sold receivables volume in year under review	20.8
Entitlements/obligations from receivables management	0.0
Continuing involvement	**0.0**
Maximum credit risk (before credit insurance)	3.4
Total carrying amount of transferred receivables	20.8
Book value of assets still carried	3.4
Book value of associated liability	3.4
Fair value of the financial guarantee	0.1
Purchase price discounts, program fees, and pro rata loss allocations recognized in income	
Recognized gains/losses	0.0
Income/expense in current fiscal year	0.0
Income/expense accumulated since start of contract	0.0

30 – Events since the balance sheet date

On January 20, 2020, after the end of the reporting period, the Executive Board agreed on the key provisions of a program aimed at reducing costs and increasing efficiency, prompted by the fact that the Group's EBIT margin did not fall within the target range in 2019. Over the next two years, the Executive Board expects this initiative to yield gradual savings of up to EUR 50 million relative to the 2019 baseline.

If the measures aimed at containing and treating the coronavirus (COVID-19) implemented in China and other countries do not prove effective, this could result in delays in the supply chain and adverse development of sales markets in certain regions.

No other events occurred which could have a material impact on the future business development of Wacker Neuson SE.

31 – Segmentation

Division and determination of operating segments

The internal organizational structure and management structure as well as the internal reports to the Executive Board and Supervisory Board, which are based on geographical segments, form the basis for determining the operating segments of the company. For information regarding geographical segmentation of affiliates, refer to the section on consolidation structure (see the general information on accounting standards / consolidation structure). According to this structure, the affiliates are geographically grouped into regional markets (Europe, Americas and Asia-Pacific). Turkey, Russia and South Africa are included in the Europe segment. Reporting is also carried out internally according to business segments. This exclusively deals with revenue. Company management will therefore continue to focus on geographical segments. In the period under review, no segmentation changes were made.

Products and services of operating segments

The products and services offered by the geographical operating segments can be divided into light equipment, compact equipment and services.

The light equipment business segment covers the manufacture and sale of light equipment in the three business fields of concrete technology, compaction and worksite technology.

The compact equipment business segment focuses on the manufacture and sale of compact equipment.

The services business segment manages, amongst other things, the company's activities in the spare parts, maintenance and used equipment business fields as well as income from customer financing, rental solutions and extended warranties.

Segment valuation methods

The intrasegment business transactions that were reported under EBIT for the individual segments are listed in the consolidation column. Non-current assets are reported according to key countries.

Segment valuation methods are based on the valuation methods used in internal reporting. Internal reporting is carried out exclusively in line with the valid IFRS standards as applicable.

Transactions between the individual Group segments are based on prices that also apply to third-party transactions.

Reporting format

Segmentation is presented in the Notes to the Consolidated Financial Statements on → page 81 of this Annual Report.

Segment revenue and segment earnings, expressed as EBIT, are derived from internal reporting. Figures from the individual companies are added together to reach this EBIT figure. As the holding company, Wacker Neuson SE is allocated to the Europe segment. Expenses for the corporate services it provides are allocated in full to the individual regional reportable segments.

The consolidation column reflects the elimination of transactions affecting income that took place between operating segments. This primarily refers to the consolidation of intercompany profits and losses from the sale of goods.

Revenue from external customers, categorized according to products and services, are recognized at company level. In addition, revenue and non-current assets are reported according to key countries. No individual customer accounted for more than 10 percent of Group revenue.

32 – Cash flow statement

The cash flow statement is prepared in accordance with IAS 7. The cash flow statement reports cash flows resulting from operating activities, from investing activities as well as from financing activities. Insofar as changes in cash and cash equivalents are due to foreign exchange rate fluctuations, these are reported separately. The determination of cash flow from operating activities was derived using the indirect method.

Current liquid funds comprise cash and cash equivalents as reported on the balance sheet. Short-term borrowings from banks in the notional Group cash pool were offset against cash and cash equivalents.

Refer to item 16 in these Notes to see the breakdown of current liquid funds. → Page 114

IAS 7.18 allows entities to report cash flows from operating activities using either the direct or indirect method. The Group presents its cash flows using the indirect method.

“Cash flow from investment activities” comprises the cash outlay for tangible and intangible assets less divestments.

“Cash flow from financing activities” contains payments received from shareholders, including interest paid, as well as payments made to them. It also contains payments resulting from borrowing and repayment of debt. The change in liabilities from financing activities comprises the following: “Other” includes the effect of reclassification of the non-current portion of financial and leasing liabilities to current liabilities due to the passage of time, as well as disposals of leasing liabilities.

IN € MILLION

	Jan. 1, 2019	First adoption IFRS 16	Cashflows	Continuing involvement	Foreign exchange movement	New leases (incl. Sale-and-Lease-back)	Other	Dec. 1, 2019
Short-term liabilities to financial institutions (Note 21)	**33.8**	–	76.9	0.5	–	–	1.2	**112.4**
Current portion of long-term borrowings (Note 21)	**–**	–	–	–	–	0.5	–	**0.5**
Short-term lease liabilities (Note 26)	**1.4**	25.2	-24.4	–	0.1	6.5	16.4	**25.2**
Long-term financial borrowings (Note 21)	**214.7**	–	150.0	2.9	1.7	3.9	-0.8	**372.4**
Long-term lease liabilities (Note 26)	**2.6**	48.8	–	–	0.4	34.1	-19.0	**66.9**
Total liabilities from financing activities	**252.5**	**74.0**	**202.5**	**3.4**	**2.2**	**45.0**	**-2.2**	**577.4**

	Jan. 1, 2018	First adoption IFRS 16	Cashflows	Continuing involvement	Foreign exchange movement	New leases (incl. Sale-and-Lease-back)	Other	Dec. 1, 2018
Short-term liabilities to financial institutions (Note 21)	**20.3**	–	-15.9	–	**-1.2**	–	30.6	**33.8**
Current portion of long-term borrowings (Note 21)	**–**	–	–	–	–	–	–	–
Short-term lease liabilities (Note 26)	**0.6**	–	-0.6	–	–	0.9	0.5	**1.4**
Long-term financial borrowings (Note 21)	**155.0**	–	81.4	–	2.8	–	-24.5	**214.7**
Long-term lease liabilities (Note 26)	**1.1**	–	–	–	–	2.0	-0.5	**2.6**
Total liabilities from financing activities	**177.0**	**–**	**64.9**	**–**	**1.6**	**2.9**	**6.1**	**252.5**

33 – Risk management

Capital management

A key aim of the Group's capital management policy is to maintain a high equity ratio to support its business activities.

The Group actively controls and modifies its capital structure in line with changing market dynamics. The goal of the capital management policy is to secure the Group's business and investment activities in the long term. To maintain a suitable capital structure, the Group can propose changes to dividend payments to shareholders or issue new shares. As at December 31, 2019 and December 31, 2018 respectively, no changes were made to objectives, guidelines or procedures within the framework of the capital structure control policy. The Group monitors its capital using net financial debt resulting from current net financial liabilities and non-current financial liabilities as an indicator.

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted
Current financial liabilities	112.9	33.8
Short-term financial liabilities	112.4	33.8
Current portion of long-term financial liabilities	0.5	–
Non-current financial liabilities	372.4	214.7
Total equity before minority interests	1,225.0	1,221.4
Total capitalization	**1,710.3**	**1,469.9**

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018 adjusted
Current net financial liabilities	**66.6**	**-10.0**
Short-term liabilities	112.9	33.8
plus liquid funds	-46.3	-43.8
Net financial debt	**439.0**	**204.7**
Current net financial liabilities	66.6	-10.0
plus non-current financial liabilities	372.4	214.7

Financial risk factors

Due to the global scope of its operations, the Group is exposed to various financial risks, including foreign exchange risks, credit risks, liquidity risks and interest rate risks. The comprehensive risk management policy of the Group is focused on the unpredictability of developments in financial markets and aims to minimize any potential negative impact on the Group's financial position. It is a general policy of the company to reduce these risks by systematic financial management. In particular, the Group employs selective derivative financial instruments to hedge against certain risks.

The Group finance department is responsible for risk management in accordance with the rules and guidelines approved by the Executive Board. It identifies, evaluates and hedges against financial risks in close cooperation with the operating units of the Group. The Executive Board sets guidelines for risk management as well as fixed policies for specific areas of risk. These include dealing with foreign exchange risks, interest rate risks and credit risks.

The guidelines also specify how derivative and other financial instruments and liquidity surpluses are to be used.

Currency risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by hedging at least 50 percent of all transactions that are expected to occur within a maximum 12-month period for hedges of forecasted purchases.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Group hedges its exposure to fluctuations on the translation into euros of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards.

If the USD/EUR exchange rate increased or decreased by 5 percent, changes in the financial assets and liabilities reported in the balance sheet in US dollars would have the following impact on profit before tax and equity:

	2019	2018
USD currency trends as a %	+5.00/-5.00	+5.00/-5.00
Impact on profit before tax (EBT) in € K	0.4/-0.5	1.5/-1.6
Impact on equity in € K	-2.1/2.4	-1.0/1.2

In 2019, the average EUR/USD exchange rate was EUR 1 to USD 1.12 (2018: EUR 1 to USD 1.18).

The Group is also subject to currency risks from individual transactions resulting from purchases and sales executed by a Group member in a currency other than the functional currency.

Credit risks

The Group is not exposed to any material credit risks (default risks). Contracts for derivative financial instruments and financial transactions are concluded only with financial institutions with a high credit rating in order to keep the risk of default by the contracting party as low as possible. The book value of financial assets recognized in the Consolidated Financial Statements represents the maximum default risk. For further information on the book value of financial assets,

please refer to section 29, "Additional information on financial instruments", in these Notes. → Page 125

Continued weakness on construction and financial markets in some countries may present certain Group customers with financial difficulties, possibly culminating in insolvency. This would lead to a rise in accounts receivable and a subsequent increased risk of default. The Group is counteracting the risk of changes in individual customers' payment patterns through its active accounts receivable management policy, partner "health checks" and tools such as credit hedging. These are in place for a volume of EUR 673.8 million and reimburse approx. EUR 16.2 million of the nominal value in case of default.

Interest rate risks

Interest rate risks are caused by market fluctuations in interest rates. On the one hand, they impact the amount of interest payments for which the Group is liable. On the other hand, they influence the fair value of financial instruments.

The following balance sheet items include variable-interest cash and cash equivalents, and liabilities which are subject to interest rate risks.

IN € MILLION

	Dec. 31, 2019	Dec. 31, 2018
Cash and cash equivalents	46.3	43.8
Long-term borrowings	372.4	214.7
Short-term borrowings	112.4	33.8
Current portion of long-term borrowings	0.5	–
	531.6	**292.3**

The following table shows how changes in interest rates that could be reasonably expected would impact the Group's earnings before tax based on the impact this would have on variable interest rate loans and balances.

The fixed-interest promissory note (Schuldschein) was not included when calculating the impact on earnings. For more information, see item 21 "Long- and short-term financial liabilities" in these Notes. → Page 118

The effects on Group earnings before tax also reflect the impact on equity.

IN € MILLION

	2019	2018
Increase in interest rates of 0.2%	-0.8	-0.4
Decrease in interest rates of 0.2%	0.8	0.4

From the valuation of the interest rate swap for hedging the variable part of the promissory note (Schuldschein) in US dollars, losses in the amount of EUR 1.5 million (2018: EUR 0.4 million) are recognized directly in equity. If the 3-month US dollar LIBOR changes by +/- 0.5 percentage points, an additional effect of +/- EUR 0.5 million would result in other income.

The future changes resulting from the IBOR reform could have a corresponding impact on the consolidated financial statements. Depending on the final determination of the base rate, this will affect the current hedge relationship. From the current point of view, it is not possible to reliably forecast the impact. However, the Group assumes that these changes will not have any material effects due to the transitional provisions and their practical expedients.

Liquidity risks

Liquidity risks involve the availability of funds needed to meet payment obligations on time. The company is assured of a supply of liquid funds at all times by lines of credit it is not currently using. Liquidity is managed by the Group's treasury department via a Group-wide cash pool system. Refer to item 21 "Long- and short-term financial liabilities" in these Notes for further information, also on existing credit lines and financial covenants. → Page 118

34 – Executive bodies

Executive Board

In the year under review, the Executive Board comprised the following three members:

- Martin Lehner, CEO, responsible for procurement, production, technology, quality, strategy, investor relations, corporate communication, sustainability, compliance, HR and legal matters
- Wilfried Trepels, responsible for finance, IT, auditing and real estate
- Alexander Greschner, responsible for sales, logistics, service and marketing

The members of the Executive Board do not have any additional Supervisory Board positions or seats on comparable supervisory committees for German or foreign commercial companies outside of the Wacker Neuson Group.

Supervisory Board

The following are members of the Supervisory Board of Wacker Neuson SE or were Supervisory Board members during the year under review:

- Johann Neunteufel, engineer, Chairman of the PIN Private Trust (PIN Privatstiftung), Linz, Austria; Chairman of the Supervisory Board
- Christian Kekelj, Chairman of the Central Works Council, Chairman of the Munich Works Council, Oberschleissheim, Germany
- Kurt Helletzgruber, Board member of the PIN PrivateTrust (PIN Privatstiftung), Linz, Austria
- Matthias Schüppen, attorney at law, auditor, tax advisor and partner at the Graf Kanitz, Schüppen & Partner law firm, Stuttgart, Germany
- Elvis Schwarzmair, Chairman of the Reichertshofen Works Council, Chairman of the Group Works Council and SE Works Council, Rohrbach, Germany
- Ralph Wacker, civil engineer and managing partner of wacker+mattner GmbH, Munich, Germany; Deputy Chairman of the Supervisory Board

In accordance with the Articles of Incorporation, the terms of office of the Supervisory Board members listed above will run until the close of the AGM that tables a resolution to formally approve the actions taken by Wacker Neuson SE in fiscal 2019. The terms may be no longer than six years.

The following members of the Supervisory Board have additional supervisory board positions or seats on comparable supervisory committees for German or foreign companies:

- Johann Neunteufel, Chairman of the Supervisory Board of Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz, Austria
- Matthias Schüppen, Member of the Supervisory Board of Syntellix AG, Hannover, Germany

For information on the remuneration of the Executive Board and Supervisory Board, as well as remuneration of former Board members, refer to item 35 “Related party disclosures” in these Notes. → Page 133

35 – Related party disclosures

For the Group, related party disclosures within the meaning of IAS 24 generally refers to shareholders and entities over which shareholders have control or significant influence (sister companies, members of the Executive Board and members of the Supervisory Board).

Key trade relations with related parties during the period under review were as follows:

IN € MILLION

	Current receivables Dec. 31, 2019	Current payables Dec. 31, 2019	Expenses for business transactions 2019	Income for business transactions 2019
Relations with shareholders	–	0.1	0.9	0.1
Relations with sister companies	–	–	0.5	0.4
Total	**–**	**0.1**	**1.4**	**0.5**

IN € MILLION

	Current receivables Dec. 31, 2018	Current payables Dec. 31, 2018	Expenses for business transactions 2018	Income for business transactions 2018
Relations with shareholders	–	0.1	0.9	0.1
Relations with sister companies	0.1	0.2	1.1	0.2
Total	**0.1**	**0.3**	**2.0**	**0.3**

Relations with shareholders resulted mainly from goods and services traded with a shareholder; namely Wacker Werke GmbH, a competence center for concrete compaction. The goods and services delivered to this shareholder were valued at EUR 0.1 million (2018: EUR 0.1 million). These were counterbalanced with goods and services received from the shareholder to the value of EUR 0.9 million (2018: EUR 0.9 million). The goods and services were traded under the terms customary in the market, as also agreed with third parties.

Relations with sister companies and entities over which shareholders have control or significant influence result mainly from the delivery of products and services and from rental arrangements between affiliates and entities over which shareholders have control or significant influence. The goods and services were traded under the terms customary in the market, as also agreed with third parties.

Total remuneration for the Executive Board in the fiscal year under review amounted to EUR 4.0 million. The prior-year value, adjusted to correct a typing error in the published financial statements, amounted to EUR 4.5 million. Total remuneration for the Supervisory Board amounted to EUR 0.5 million (2018: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed in line with Section 286 (5) sentence 1, Section 314 (3) sentence 1 and Section 315a (1) HGB to refrain from itemizing this information in accordance with Section 285 no. 9a sentences 5-8 and Section 314 (1) no. 6a sentences 5-8 HGB in conjunction with Section 315a (1) HGB. At the closing date, short-term payables to the Executive Board were outstanding in the amount of EUR 2.0 million (2018: EUR 2.0 million), as well as other long-term payables in the amount of EUR 1.5 million (2018: EUR 1.0 million).

Retirement commitments were agreed upon for members of the Executive Board. The present value of pension obligations at the end of the fiscal year amounted to EUR 8.8 million (2018: EUR 7.1 million). The increase in the present value of pension obligations (addition) amounted to EUR 1.7 million (2018: addition of EUR 1.6 million). The present value of pension obligations corresponds to obligations before netting with plan assets and before any possible actuarial gains or losses that have not yet been recognized. For more detailed information, refer to item 19 "Provisions for pensions and similar obligations" in these Notes. → Page 115

Pension agreements are also in place for former members of the Executive Board. The value of these pension obligations at the end of the fiscal year came to EUR 38.1 million (2018: EUR 34.5 million). In the period under review, a total of EUR 1.1 million (2018: EUR 1.1 million) was paid to former Executive Board members.

36 – Auditor's fee

The fee for the auditor and associated companies is disclosed as an expense in fiscal 2019 and is broken down as follows:

IN € MILLION

	2019 Auditor and associated companies	2019 Of which auditor	2018 Auditor and associated companies	2018 Of which auditor
Auditing services	1.4	0.7	1.2	0.6
Other approval and assessment services	-	-	-	-
Tax consultation services	0.3	0.2	0.4	0.4
Other services	–	–	–	–

37 – Declaration regarding the German Corporate Governance Code

The Executive Board and Supervisory Board have issued a declaration stating which recommendations from the Government Commission on the German Corporate Governance Code have been and are being adopted. The declaration can be accessed at any time from the Group website at → www.wackerneusongroup.com.

38 – Availing of exemption provisions according to Section 264 (3) and/or Section 264b HGB

The following fully consolidated domestic affiliates avail of the exemptions set down in Section 264 (3) HGB and/or Section 264b HGB for fiscal 2019:

Company Name	City
Kramer-Werke GmbH	Pfullendorf
Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf
Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen
Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich
Wacker Neuson Aftermarket & Services GmbH	Munich
Weidemann GmbH	Diemelsee-Flechtdorf
Wacker Neuson Immobilien GmbH	Überlingen

Munich, March 9, 2020

Wacker Neuson SE

The Executive Board

Martin Lehner
CEO

Wilfried Trepels
CFO

Alexander Greschner
CSO

Responsibility statement by the management

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Wacker Neuson Group, and the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Wacker Neuson Group respectively the parent company Wacker Neuson SE, together with a description of the principal opportunities and risks associated with the expected development of the Wacker Neuson Group respectively the parent company Wacker Neuson SE."

Munich, March 9, 2020

Wacker Neuson SE, Munich

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

Independent Auditor's Report

To Wacker Neuson SE

Report on the audit of the Consolidated Financial Statements and Group Management Report

Audit opinion

We have audited the Consolidated Financial Statements of Wacker Neuson SE, Munich, Germany, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from January 1, 2019 through December 31, 2019, the consolidated balance sheet as at December 31, 2019, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from January 1, 2019 through December 31, 2019, along with the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. We also audited the Group Management Report of Wacker Neuson SE, which has been consolidated with the Management Report of Wacker Neuson SE, for the fiscal year from January 1, 2019 through December 31, 2019. We have not audited those parts of the Group Management Report listed in the annex to this Auditor's Report or the company information referred to there that is not part of the Annual Report but which is referenced in the Group Management Report.

In our opinion, based on the findings of our audit:

- The accompanying Consolidated Financial Statements comply in all material respects with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the additional requirements under German law pursuant to Section 315e (1) of the German Commercial Code (HGB). In accordance with these requirements, the Consolidated Financial Statements give a true and fair view of the net assets and financial position of the Group as at December 31, 2019, as well as of the results of its operations for the fiscal year from January 1, 2019 through December 31, 2019.
- The accompanying Group Management Report as a whole provides a suitable view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion of the Group Management Report does not extend to the parts of the Group Management Report listed in the annex to this Auditor's Report naming parts beyond the audit scope.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations regarding the Consolidated Financial Statements or the Group Management Report.

Basis for audit opinion

We conducted our audit of the Consolidated Financial Statements and Group Management Report in accordance with Section 317 HGB and with EU Regulation no. 537/2014 (hereinafter "EU Audit Regulation"), in compliance with the generally accepted German standards for the audit of financial statements promulgated by Germany's Institut der Wirtschaftsprüfer (Institute of Public Auditors; IDW). Our responsibilities under these regulations and standards are further described in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and Group Management Report" section of our auditor's report. We are independent of Group companies in accordance with European legislation and German commercial and professional regulations and we have fulfilled our other German auditing responsibilities in line with these requirements. Pursuant to Article 10 (2) (f) of the EU Audit Regulation, we additionally declare that we have provided no prohibited non-audit services under Article 5 (1), EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements and on the Group Management Report.

Key audit matters relating to the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the fiscal year from January 1, 2019 through December 31, 2019. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters relating to the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the fiscal year from January 1, 2018 through December 31, 2018. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is a description of the key audit matters in our view:

1. Revenue recognition and deferral

Reasons for identification as key audit matter: The Group generates revenue from the sale of light and compact construction equipment, including used equipment, from equipment rentals within Europe and from the supply of spare parts and repair services. In light of the Group's international expansion, distribution increasingly takes place through sales partners, in particular dealers, rental companies and

strategic partners with whom cooperation agreements are established. In the US in particular, the Group is increasingly working with anchor dealers that have their own extensive networks of sites and branch offices. Due to the wide range of products, diverse sales channels and service offerings, including a variety of customer financing and customer bonus models as well as warranty terms, there is a risk of revenue being inaccurately recognized in relation to the amount of revenue recorded and time of recognition. In particular, the financing models for dealers raise questions about the time at which revenue is recognized. Alongside the identification of a financing component in relation to payment terms and the prepaid volume bonuses, these questions are related in particular to the issue of revenue recognition when working with financing partners such as leasing companies to the extent that take-back obligations for light and compact equipment exist or default guarantees have been provided. Revenue is also a key performance indicator. Against this backdrop, revenue recognition and deferral was one of the most significant matters within our audit.

Auditing procedure: We assessed whether the Group's accounting policies with regard to revenue recognition and deferral provide a suitable basis for preparing the Consolidated Financial Statements in compliance with IFRS principles. We examined the revenue recognition and deferral processes and tested the effectiveness of the implemented controls in terms of accurate revenue recognition and deferral. We performed analytical audit procedures, in particular a comparison of monthly revenue and gross margins with figures from the corresponding periods of the previous year. Key agreements with financing partners were evaluated to determine whether revenue can be legitimately recognized as such or whether it should be reclassified as financing.

To assess revenue recognition and deferrals appropriate to the period under review, we compared revenue recorded during the year and at year-end with invoices and delivery documents on a sample basis. We have also reviewed the disclosures in the Notes to the Consolidated Financial Statements in line with IFRS 15 to verify that they are complete.

Our audit procedures did not lead to any reservations regarding revenue recognition or deferral.

Reference to related information: With regard to the accounting and valuation principles applied to revenue recognition and deferral, we refer to the information provided within the Notes to the Consolidated Financial Statements in the "Revenue and earnings recognition" and "Realization of expenses" subsections under "Accounting and valuation methods", as well as to item 1 "Revenue".

2. Sale of receivables (factoring)

Reasons for identification as key audit matter: Wacker Neuson SE uses a range of customer incentives to help drive the expansion of its international business. These include receivables with extended payment terms (> 360 days) and prepaid volume bonuses. Accounts receivable for these extended dealer financing models were and are sold (factoring) in order to manage working capital. Within the framework of factoring, Wacker Neuson SE continues to bear the default risk up to a maximum amount. Under IFRS 9, Wacker Neuson SE must, when it enters into a factoring transaction, assess whether it has transferred its rights to cash flows from the assets, and whether all risks and rewards have been transferred or retained based on the estimated probability of default. In assessing whether the risks and rewards have been transferred in whole or in part based on the probability of default, and consequently deciding whether the assets should be derecognized in full or recognized in part to the extent of the company's continuing involvement, the company's legal representatives are required to make certain discretionary judgments and assessments that are subject to uncertainty but nonetheless have significant impact on the outcome. Against this backdrop, one of the most significant matters in our audit involved assessing the economic risks resulting from the expansion of the Group's international business through dealer financing models and their counter-financing schemes.

Auditing procedure: We focused on the processes used to evaluate the factoring transactions and determine the loss allowance for expected credit losses (ECLs). With regard to the factoring transactions, we focused in particular on reading the underlying agreements as well as the internal opinions of the client and the external opinions of experts engaged by the client. We then evaluated whether the estimates made regarding the transfer of risks and rewards were in alignment with IFRS regulations and also in alignment with our own knowledge based on past developments and the client's economic environment. We assessed the parameters used as a basis for the calculations and analyzed them to determine whether they align with the agreements. We also carried out our own calculation checks. Furthermore, we assessed the information relating to the factoring transactions in the Notes to the Consolidated Financial Statements.

Our audit procedures did not lead to any reservations regarding the accounting and recognition of the factoring transactions in the Notes to the Consolidated Financial Statements.

Reference to related information: With regard to the accounting and valuation principles applied to revenue recognition and deferral, we refer to the information provided within the Notes to the Consolidated Financial Statements in the "Material discretionary decisions" subsection under "Accounting and valuation methods", as well as to item 11 "Other non-current assets", item 15 "Other current assets", and item 29 "Additional information on financial instruments".

Other information

The Supervisory Board is responsible for the Supervisory Board report. Management is otherwise responsible for all other information. This other information consists of the parts of the Annual Report listed in the annex.

We received a copy of this other information before issuing this audit report.

Our opinion on the Consolidated Financial Statements and on the Group Management Report does not cover the other information. Accordingly, we do not express an opinion or give any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information:

- Is materially inconsistent with the Consolidated Financial Statements, with the Group Management Report or with our knowledge obtained during the audit
- Otherwise appears to be materially misstated

Management and Supervisory Board responsibilities for the Consolidated Financial Statements and Group Management Report

Management is responsible for the preparation of the Consolidated Financial Statements in accordance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB in all material respects and for ensuring that the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Additionally, Management is responsible for the internal controls it has determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, Management is responsible for assessing the Group's ability to continue as a going concern. It also has a responsibility to disclose, as applicable, matters related to the Group's ability to continue as a going concern. In addition, it is Management's responsibility to apply the going concern basis of accounting unless Management intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Furthermore, Management is responsible for the preparation of a Group Management Report that as a whole provides a suitable view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Management is also responsible for the provisions and measures (systems) it has deemed necessary to enable the preparation of a Group Management Report in accordance with the applicable requirements under German law and to ensure sufficient appropriate evidence can be supplied for the statements contained in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and Group Management Report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, either due to fraud or error, and whether the Group Management Report as a whole provides a suitable view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements and with the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development; as well as to issue an auditor's report that includes our opinion on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and with the EU Audit Regulation, in compliance with the generally accepted German standards for the audit of financial statements promulgated by the IDW, will always detect a material misstatement if it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of the target audience taken on the basis of these Consolidated Financial Statements or Group Management Report.

We exercise due professional judgment and discretion, and maintain an appropriate level of professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement – whether due to fraud or error – in the Consolidated Financial Statements and Group Management Report, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of the internal control system relevant to auditing the Consolidated Financial Statements and of the provisions and measures relevant to auditing the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of the accounting policies applied by Management and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's application of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements and Group Management Report or, if such disclosures are inadequate, to modify our relevant audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and determine whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial accounting information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.

- Evaluate alignment between the Group Management Report and the Consolidated Financial Statements, as well as its compliance with legislation and its presentation of the Group's situation.

- Perform audit procedures in relation to the forward-looking statements expressed by Management in the Group Management Report. In particular, based on sufficient appropriate audit evidence, we trace the significant assumptions underlying the forward-looking statements by Management and evaluate the appropriate derivation of the forward-looking statements from these assumptions. However, we do not provide a separate audit opinion on the forward- looking statements or underlying assumptions. There remains a significant and unavoidable risk that future events may differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant requirements regarding independence, and discuss with them all relationships and other matters that may reasonably be thought have an impact on our independence, along with any related safeguards in this respect.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in auditing the Consolidated Financial Statements for the current reporting period and therefore constitute key audit matters. We describe these matters in our auditor’s report unless laws or other regulations preclude public disclosure of the matter in question.

Other legal and regulatory requirements

Further disclosures under Article 10, EU Audit Regulation

We were voted in as the official auditor of the Group by the Annual General Meeting on May 29, 2019. We were appointed by the Supervisory Board on May 29, 2019. We have been engaged as the official auditor for Wacker Neuson SE since fiscal 2012 without interruption.

We declare that the opinions contained in this auditor’s report are consistent with the additional report to the Audit Committee under Article 11, EU Audit Regulation (auditor’s report).

In addition to auditing the financial statements for the Group companies, we performed the following services not disclosed in the Consolidated Financial Statements or Group Management Report: voluntary auditing and other confirmation services in connection with the review of the non-financial Group report.

Responsible auditor

The public auditor responsible for this audit is Peter von Wachter.

Munich, March 9, 2020

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

von Wachter Hohenegg

Wirtschaftsprüfer
(Public Auditor)

Wirtschaftsprüfer
(Public Auditor)

Annex to the Auditor's Report:

1. Parts of the Group Management Report beyond the audit scope

We did not audit the following part of the Group Management Report presented under "other information":

- The publicly available Group declaration on corporate governance.

Furthermore, we did not audit the following content that was not included in the Management Report presented under "other information":

- The table: "Quarter-on-quarter comparison: revenue and EBIT margin 2015 – 2019" under "Profit" in the "Profit, financials and assets" section,
- "Quarterly developments" under "Profit" in the "Profit, financials and assets" section, and
- "Developments in Q4 2019" together with the subsections "Regional development", "Segment reporting by business segment" and "Turnaround in free cash flow in the fourth quarter", as well as the "Development in Q4" table, all under "Assets" in the "Profit, financials and assets" section.

2. Additional other information

"Other information" also includes:

- the Non-financial Group report 2019,

as well as further parts intended for the Annual Report of which we received a copy before issuing this audit report; in particular the sections:

- "Figures at a glance",
- "To our Shareholders",
- "Our Share in 2019",
- "Corporate Governance Declaration and Report",
- "10-Year Comparison",
- "Responsibility Statement by Management", and
- "Report by the Supervisory Board",

but not the Consolidated Financial Statements, information in the Group Management Report that was included in the audit, or our accompanying Auditor's Report.

3. Company information that is not part of the Annual Report but which is referenced in the Group Management Report

The links → https://www.wackerneuson.de/en/industries-solutions/innovative-solutions/zero-emission/, → https://wackerneuson-group.com/en/the-group/compliance and → https://wackerneuson-group.com/en/ in the Group Management Report refer to company information that is not part of the Annual Report.

Technical Glossary

C

Compact equipment
Group’s strategic business segment. Compact equipment covers machinery weighing up to 15 tons, particularly wheel loaders and telescopic wheel loaders, skid steer loaders, four-wheel and track dumpers, telescopic handlers as well as mobile and compact excavators.

Compaction
Group’s business field in the light equipment segment. Equipment in this field is used for compacting soil and asphalt during the construction of trenches, roads, paths, foundations and industrial buildings. It includes products such as rammers, vibratory plates and rollers.

Concrete technology
Group’s business field in the light equipment segment. This equipment is used to compact concrete when laying concrete walls, ceilings and floors and includes internal and external vibrators. The specialists from the Wacker Neuson concrete solutions unit provide comprehensive advice to customers around the world at all stages of major concrete projects.

D

dual power
This dual drive system for compact excavators enables conventional diesel-powered excavators to be operated emission-free simply by connecting an external electro-hydraulic unit to the excavator’s undercarriage.

Dual View dumper
Wheel dumpers with Dual View allow the operator to conveniently and quickly change the seat position through a 180-degree rotation of the entire operator control panel and the seat console. This always gives the operator a perfect view in the travel or working direction.

Dumpers
Track- or wheel-based machines in the compact equipment segment primarily used for transporting backfill material.

E

External Vibrators
External vibrators are used to compact concrete. They are fixed on the outside of concrete formwork. The vibration is transferred to the entire formwork and therefore is passed on to the freshly mixed concrete.

H

Heavy equipment
Large construction machinery defined by the company as having a total weight of over fifteen tons, typically transported to construction sites for specific projects and operated by specially trained users.

Hoftrac®
Compact wheel loaders made primarily for stable/barn and yard work in the agricultural sector. Their compact footprint makes them highly maneuverable and ideal for indoor work. Hoftrac® loaders are significantly narrower and more compact than conventional wheel loaders and have a smaller turning radius.

Hydronic heaters
Mobile heating equipment to thaw frozen ground, heat buildings and cure concrete at sub-zero conditions, making construction work less dependent on weather conditions (for example in regions with long winters such as Canada, Alaska, Russia and Scandinavia).

I

Internal vibrators
Used for concrete compaction, mainly on construction sites. These vibrators comprise eccentric weights driven by an electrical motor, which are encased in a water-tight steel tube so that they can be submerged in fresh concrete.

L

Light equipment
Group’s strategic business segment. It covers predominantly handheld, remote control or ride-on equipment weighing up to 3 tons in the strategic business fields of concrete technology, compaction and worksite technology.

R

Rammers
First developed in the 1930s, this pioneering product is used in soil and asphalt compaction, particularly in small spaces and narrow trenches. Wacker Neuson offers three different models of battery-powered rammers for a completely emission-free compaction.

S

Skid steer loaders
Small loaders with four-wheel-drive steering or rubber tracks. They offer excellent maneuverability thanks to their skid steering system. They can also be equipped with a wide range of attachments, making them a flexible option for a wide range of jobs.

T

Telescopic handlers
Like wheel loaders, these compact machines are ideal for the construction and agricultural sectors. Telescopic handlers, however, feature a detached cabin and support very high lifting heights despite their compact dimensions as the telescopic arm is fitted to the tail, enabling a strong lever effect.

Telescopic wheel loaders
Telescopic wheel loaders feature a telescopic arm, which gives them a greater range or lifting height. Operators are seated in a central position with a clear view of their surroundings. The telescopic boom is positioned directly in front of the cabin.

Trowels
Trowels are used to smooth concrete surfaces, in particular freshly poured concrete, for example, in industrial buildings.

V

Vibratory plate
Soil and asphalt compaction devices, mainly used to pre-compact foundation soil and compact paving stones. They travel forwards and backwards, and can also be equipped with remote control technology.

Voice of Customer
Event at the worldwide research, development and production sites. Customers give direct feedback on a product at an early stage of development. In this way, the knowledge and practical experience of customers are integrated into the development process.

W

Wheel loaders
Articulated and all-wheel-drive wheel loaders are extremely versatile machines. Thanks to a broad range of attachments and technologies, they are the perfect choice for a host of jobs, including transporting and stacking material.

Z

zero emission
A range of electrically powered light and compact equipment ideal in particular for use on indoor construction sites and in areas sensitive to noise and emissions – such as residential zones, schools or hospitals. The zero emission products are particularly effective at protecting both users and the environment.

Zero-tail excavators
The tail of these excavators does not protrude over the tracks during rotation of the superstructure (360°). Zero-tail excavators can be used directly beside house and garden walls as they will not cause any damage when rotating.

Financial Glossary

C

Capital employed
Invested capital: Capital employed represents the interest-bearing capital tied up in and required by the Group to function.

Cash flow
Refers to a company's ability to finance itself, calculated by the excess of cash revenues over cash outlays in a given period of time (not including non-cash expenses/income).

Cash flow from financing activities
Cash balance resulting from changes to financial liabilities, the issue of shares, cash inflow from disposal of treasury shares / cash outflow from the acquisition of treasury shares and dividend payments.

Cash flow from investment activities
Cash balance resulting from the acquisition of financial, tangible or intangible assets and the disposal of financial, tangible or intangible assets.

Cash flow from operating activities
Cash flow generated from operating activities.

Corporate governance
Sound and responsible management and control of a company with the aim of creating long-term value.

D

Deferred taxes
Differences between the tax base and the carrying amounts in the IFRS accounts in order to disclose tax expense and tax entitlement (actual and deferred) according to IFRS.

Derivatives
Financial instruments, such as futures and options, that derive their value from the value of other financial instruments or an underlying asset.

Discounted cash flow (DCF) method
Valuation method used to estimate the market value by discounting a company's future cash flows to their present value.

E

EBIT (margin)
The earnings (profit) before interest and taxes. The EBIT margin is the ratio of EBIT to revenue.

EBITDA (margin)
Earnings (profit) before interest, taxes, depreciation and amortization (EBITDA) indicate a company's operational profitability. The EBITDA margin is the ratio of EBITDA to revenue.

EBT
Earnings (profit) before taxes.

Equity ratio
Ratio of equity before minority interests to total capital; indicates the financial stability of a company.

Earnings per share (EPS)
EPS is defined as Group net profit for the year divided by the number of shares.

F

Free cash flow
Free cash flow refers to the amount of cash readily available to a company. The free cash flow is the result of the cash flow from operating activities less the cash flow from investment activities.

G

Gearing
Net financial debt as a percentage of equity.

Goodwill
When a company purchases another company for a price that is higher than the fair value (book value) of all assets and liabilities, the difference is recorded as goodwill.

Gross profit margin
Gross profit margin is a measure of operational efficiency, expressing the relationship between gross profit and sales revenue or the percentage by which sales exceed cost of sales.

H

Hedge
Provides protection against risks arising from unfavorable exchange rate fluctuations and changes to raw material and other prices.

I

Impairment test
Intangible assets are subject to an annual impairment test. This involves comparing the book value with the fair value less costs to sell. The fair value less costs to sell is calculated using the discounted cash flow method. Future cash flows are discounted to the respective reporting date. The asset is deemed impaired if the fair value less costs to sell is lower than the book value.

IFRS (IAS)
Internationally recognized and applied accounting standards devised by the International Accounting Standards Board (IASB) in an effort to harmonize accounting standards and principles worldwide.

K

Key Performance Indicators (KPI)
KPIs are used to define company targets and measure the extent to which a company is achieving its goals.

N

Net financial debt
The net financial debt level is calculated by adding long-term borrowings, short-term borrowings from banks and the current portion of long-term borrowings together and subtracting cash and cash equivalents.

Net working capital
The difference between a company's current (i.e. within a year) liquid assets and current liabilities. It is thus the part of current assets that is not reserved to meet short-term borrowings and can therefore be used in procurement, production and sales processes.
Net working capital = total inventory plus trade receivables minus trade payables.

Net working capital to revenue (net working capital ratio)
Return on capital employed to generate revenue.
(Average) net working capital to revenue = relationship between (average) net working capital and revenue.
The average is calculated by adding the opening and closing balances, and dividing this figure by two.

NOPLAT
Net operating profit less adjusted taxes (NOPLAT) refers to earnings before interest and taxes (EBIT) minus adjusted taxes. NOPLAT shows the annual profit a company would achieve if it were financed purely from equity.
NOPLAT = EBIT less (EBIT x corporate tax ratio)

P

Peer group
Companies active in the same or similar branch or industry.

Promissory note (Schuldschein)
Promissory notes (Schuldschein) are bilateral loan agreements unique to the German market. They represent a source of capital market financing similar to bond or syndicated loan financing for issuers with long-term funding needs. Promissory notes (Schuldschein) are typically senior unsecured instruments that pay a fixed or a variable coupon. Unlike bonds, Promissory notes (Schuldschein) are not securities but bilateral, unregistered, (usually) unrated and unlisted loan agreements sold directly to institutional investors. Promissory notes (Schuldschein) are not exchange traded.

R

Return on sales (ROS)
The ratio between profit for the period after minority interests and revenue.

ROCE I (Return on Capital Employed)
ROCE I shows how much return a company realizes on the capital it invests before tax. It is used to measure the long-term operational profitability on total capital employed. ROCE indicates the return a company realizes on the capital it invests.
ROCE I = EBIT ratio in relation to average capital employed as a %

ROCE II (Return on Capital Employed)
ROCE II shows how much return a company realizes on the capital it invests after tax.
ROCE II = NOPLAT in relation to average capital employed as a %

ROE (Return on Equity)
This indicator measures the return a company is getting on its equity. It shows the relation between profit for the period and equity employed.
ROE = Profit for the period in relation to average equity as a %

S

Swap
An agreement between two parties to exchange cash flows at a future point in time. The agreement also defines how the payments are calculated and when they are to be made.

W

Write-down
Scheduled or one-off write-downs indicating the impairment of an asset. The impairment test in fiscal 2009 resulted in the write-down of goodwill attributable to the Neuson Kramer subgroup in the amount of EUR K 89,540 and a write-down in the amount of EUR K 10,798 attributable to the Neuson brand – a constituent part of the Wacker Neuson name (total impairment losses of EUR 100.3 million). This was a one-off non-cash write-down that was nonetheless reflected in the income statement. The portion of the write-down attributable to brand impairment was reversed in fiscal 2011. → Write-up

Write-up
This involves making an upward adjustment to the carrying value of an asset. If the impairment test reveals that the reasons for the write-down of an asset in a previous accounting period no longer prevail, IAS 36 provides for the reversal of impairment up to the maximum amount of the historic cost under other intangible assets (brands, technologies, customer pool). This reversal is recognized in the income statement. IAS 36 specifically prohibits the reversal of impairment losses for goodwill.

10-Year Comparison

IN € MILLION

	2019	2018	2017	2016	2015	2014
Revenue[1]	1,901.1	1,710.0	1,533.9	1,361.4	1,375.3	1,284.3
Revenue Europe	1,379.0	1,248.9	1,129.8	1,020.7	979.3	921.7
Revenue Americas	459.5	401.3	357.5	291.9	348.5	323.7
Revenue Asia-Pacific	62.6	59.8	46.6	48.9	47.5	38.9
EBITDA	257.4	239.4	207.2	158.1	170.1	190.5
Depreciation and amortization[2]	63.3	40.5	43.2	40.7	38.8	34.2
Of which one-off impairment write-ups/write-downs from impairment	–	–	–	–	–	–
EBIT[1,3]	153.1	162.3	131.4	88.8	102.4	130.4
EBT[4]	137.5	203.0	125.4	81.4	97.5	130.1
Net profit[4]	88.5	144.6	87.5	57.2	66.7	92.1
Number of employees[5]	6,056	6,190	5,546	5,181	5,005	4,990
R&D ratio (incl. capitalized expenses) as a %	3.3	3.2	3.2	3.5	3.2	3.2
Share						
Earnings per share in €[4]	1.26	2.06	1.25	0.81	0.94	1.30
Dividend per share in €[6]	0.60	1.10	0.60	0.50	0.50	0.50
Book value at Dec. 31 in €	17.47	17.41	15.88	15.50	15.17	14.42
Closing price at Dec. 31 in €	17.05	16.52	30.08	15.42	14.23	16.96
Market capitalization at Dec. 31	1,195.9	1,158.7	2,109.5	1,081.6	998.1	1,189.2
Key profit figures						
Gross profit margin as a %	25.0	26.8	28.5	27.6	28.0	29.7
EBITDA margin as a %	13.5	14.0	13.5	11.6	12.4	14.8
EBIT margin as a %	8.1	9.5	8.6	6.5	7.4	10.2
Net return on sales (ROS) as a %[4]	4.7	8.5	5.7	4.2	4.8	7.2
Key figures from the balance sheet						
Balance sheet total	2,196.6	1,914.2	1,621.7	1,580.8	1,552.2	1,447.6
Equity	1,225.0	1,221.4	1,113.7	1,092.5	1,069.1	1,016.2
Equity ratio as a %	55.8	63.8	68.7	69.1	68.9	70.2
Net financial debt	439.0	204.7	149.7	205.8	199.1	179.5
Net financial debt/EBITDA	1.7	0.9	0.7	1.3	1.2	0.9
Gearing as a %	35.8	16.8	13.4	18.8	18.6	17.7
Net working capital	811.7	643.9	535.8	569.3	574.5	532.1
Net working capital as a % of revenue	42.7	37.7	34.9	41.8	41.8	41.4
Capital employed	1,749.0	1,431.9	1,302.5	1,355.6	1,330.5	1,249.2
ROCE I as a %	8.8	11.3	10.1	6.6	7.7	10.4
ROCE II as a %	5.6	8.1	7.0	4.6	5.3	7.4
Cash flow						
Cash flow from operating activities	-20.9	-15.5	138.0	79.4	78.5	63.5
Cash flow from investment activities	-94.8	15.2	-39.0	-44.0	-54.8	-36.0
Investments in property, plant and equipment and intangible assets	89.2	73.3	47.4	48.5	60.0	41.0
Free cash flow	-115.7	-0.3	99.0	35.4	23.7	27.5

[1] In 2019, there has been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line.
[2] Based on property, plant and equipment and intangible assets, the Group's own rental equipment is not included here. Values since 2013 have been adjusted accordingly. With the year 2019, this figure also includes the depreciation and
[3] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017.
[4] 2018: Includes a one-off profit of EUR 45.8 million after tax (EUR 54.8 million before tax) from the sale of a real estate company belonging to the Group.
[5] Since 2012 incl. temporary workers.
[6] At the AGM on May 27, 2020, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2019. The 2018 figure includes a special dividend of EUR 0.50 in connection with the sale of a real-

2013	2012	2011	2010
1,159.5	1,091.7	991.6	757.9
826.2	776.4	723.9	558.6
297.2	276.2	231.0	168.1
36.1	39.1	36.7	31.2
153.4	141.7	162.6	77.8
34.2	56.8	38.8	41.1
–	-0.8	10.8	–
94.7	84.9	123.8	36.7
88.0	77.8	120.3	32.7
61.5	54.7	86.4	24.6
4,438	4,342	3,514	3,142
3.1	3.1	3.1	3.3
0.87	0.77	1.22	0.34
0.40	0.30	0.50	0.17
13.34	13.04	12.84	11.84
11.49	10.35	9.55	13.00
805.6	725.9	669.8	911.8
30.4	30.4	32.6	31.6
13.2	13.0	16.4	10.3
8.2	7.8	12.5	4.8
5.3	5.0	8.7	3.2
1,322.4	1,344.8	1,214.3	1,030.2
939.3	918.2	904.0	833.0
71.0	68.3	74.4	80.9
177.2	214.2	90.4	13.7
1.2	1.5	0.6	0.2
18.9	23.3	10.0	1.6
453.1	456.8	370.5	269.3
39.1	41.8	37.4	35.5
852.7	866.1	721.1	572.8
11.1	9.8	17.2	6.4
7.8	7.6	12.5	5.2
85.4	13.6	43.6	44.9
-23.8	-99.9	-105.5	-85.2
34.7	104.0	114.0	85.0
61.6	-86.3	-61.9	-38.8

amortization on the rights of use in connection with the first-time application of IFRS 16.

estate company belonging to the Group.

Publishing Details/ Financial Calendar

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Publishing Details

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Financial Calendar

March 16, 2020	Publication of Annual Report 2019, Press conference on financial results, Munich
May 7, 2020	Publication of Q1 report 2020
May 27, 2020	AGM, Munich
August 5, 2020	Publication of half-year report 2020
November 5, 2020	Publication of Q3 report 2020

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Disclaimer

This report contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of Wacker Neuson SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside the Company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. The Company neither plans nor undertakes to update any forward-looking statements.

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