Wacker Neuson
Group

H1/2020
Half-year report

Figures at a glance

APRIL 1 THROUGH JUNE 30 AND JANUARY 1 THROUGH JUNE 30

IN € MILLION

	Q2/20	Q2/19 adjusted	Δ	H1/20	H1/19 adjusted	Δ
Key figures						
Revenue	385.9	517.2	-25%	796.7	952.6	-16%
by region						
Europe	305.0	375.8	-19%	631.4	692.5	-9%
Americas	66.5	125.9	-47%	143.4	231.2	-38%
Asia-Pacific	14.4	15.5	-7%	21.9	28.9	-24%
by business segment[1]						
Light equipment	80.0	137.3	-42%	176.2	247.1	-29%
Compact equipment	212.5	292.1	-27%	439.9	537.9	-18%
Services	97.0	94.3	3%	187.4	177.4	6%
EBITDA	58.2	81.9	-29%	114.3	137.3	-17%
Depreciation and amortization	36.7	26.7	37%	63.9	51.1	25%
EBIT	21.5	55.2	-61%	50.4	86.2	-42%
EBT	19.9	49.9	-60%	36.6	79.8	-54%
Profit for the period	12.3	33.6	-63%	22.7	54.4	-58%
Share						
Earnings per share in €	0.18	0.48	-63%	0.32	0.78	-59%
Dividends[2] per share in € (in brackets: special dividend)	–	0.60 (0.50)	-100%	–	0.60 (0.50)	-100%
Key profit figures						
Gross profit margin as a %	24.8	26.5	-1.7PP	25.7	26.1	-0.4PP
EBITDA margin as a %	15.1	15.8	-0.7PP	14.3	14.4	-0.1PP
EBIT margin as a %	5.6	10.7	-5.1PP	6.3	9.0	-2.7PP
Cash flow						
Cash flow from operating activities	102.4	-28.2	–	124.8	-143.0	–
Cash flow from investment activities	-13.8	-14.0	-1%	-31.9	-41.5	-23%
Free cash flow	88.6	-42.2	–	92.9	-184.5	–
Cash flow from financing activities	-9.1	70.2	–	24.8	191.5	-87%

	Jun. 30, 2020	Dec. 31, 2019	Δ	Jun. 30, 2020	Jun. 30, 2019	Δ
Key figures from the balance sheet						
Equity	1,241.8	1,225.0	1%	1,241.8	1,187.6	5%
Equity ratio as a %	54.9	55.8	-0.9PP	54.9	52.5	2.4PP
Net financial debt	363.1	439.0	-17%	363.1	484.3	-25%
Gearing as a %	29.2	35.8	-6.6PP	29.2	40.8	-11.6PP
Net working capital	743.0	811.7	-8%	743.0	858.4	-13%
Net working capital / annualized quarterly revenue	48.1	42.2	5.9PP	48.1	41.5	6.6PP
Number of employees[3]	5,502	6,056	-9%	5,502	6,417	-14%

[1] Consolidated revenue before cash discounts.
[2] A special dividend in the amount of EUR 0.50 per share was paid out in fiscal 2019 in connection with the positive one-off effect from the sale of a Group real estate company in fiscal 2018.
[3] Including temporary workers.

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.

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Accounting methods, key indicators and financial terms are defined in the annual report on page 144ff. 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 Selected Explanatory Notes.

from left to right
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.

Dear Ladies and Gentlemen,

The Covid-19 pandemic dominated the economy and everyday life in the first half of 2020 and also clearly shaped business developments at the Wacker Neuson Group. Revenue fell about 16 percent relative to the prior-year period, although developments varied from one region to another. In Europe, thanks to our strong direct sales network, we were able to flexibly offer rental, sales and service solutions to the evolving needs of our customers during the pandemic, especially in Germany, Austria and Switzerland. The comparatively stable agricultural business further bolstered our performance overall and we even succeeded in achieving slight growth in this segment relative to the previous year. In China, the impact of the coronavirus was largely felt in the first quarter of the year and we managed to almost fully reverse production restrictions from April onwards, and to return to our growth path in the second quarter. The Americas region has been hit hardest by the coronavirus crisis. Key accounts such as rental chains in particular are freezing investments. Infection rates remain high in the region and we expect to see the highest levels of uncertainty there over the coming months.

To manage the challenges posed by the crisis, we implemented a number of key measures early on to protect the health of our employees, secure our delivery capabilities to our customers and strengthen our liquidity position. In addition, we were able to shore up the Group's profitability in the crisis and achieved an EBIT margin of 6.3 percent by applying tight cost control, using up hours in flextime accounts, pulling forward plant holidays and realizing first positive effects from our program to decrease costs and increase efficiency, which we presented back in January. Thanks to a significant drop in inventory, we also succeeded in achieving free cash flow of EUR 93 million.

The first six months of the year presented us all with big tasks. These included changes in working conditions, rigorous protective and hygiene measures, working from home and the daunting task of balancing work with childcare. On top of this, we were called upon to embrace new formats such as a virtual AGM. However, the crisis has also shown us that we have the flexibility, creativity and perseverance to ensure non-stop service for our customers. We would like to thank all of our employees for making this happen. We also thank our shareholders and business partners for their trust and support in these difficult times.
Stay safe!

Best regards,

The Executive Board team of Wacker Neuson SE

Interim Group Management Report for H1 2020

Market and environment

Trends in the global economy

In 2020, the coronavirus pandemic plunged the world economy into the worst recession since the global financial crisis. The world economy was already facing headwinds before the pandemic started to spread across the globe as a result of typical fluctuations in economic activity, the effects of trade tensions between the US, China and the EU, and geopolitical risks. To combat the proliferation of the novel coronavirus, governments introduced wide-ranging protective measures, which significantly restricted production, caused bottlenecks in supply chains and led to a marked decline in demand across broad swathes of the economy.[1]

In June, the International Monetary Fund (IMF)[2] revised its April outlook for global growth downward from -3.0 percent to -4.9 percent. The IMF now expects the GDPs of advanced economies to contract by 8.0 percent. The eurozone is the hardest hit here with a predicted growth rate of -10.2 percent. Despite high infection rates, the US economy is forecast to contract by 8.0 percent. Germany also lies somewhere in the middle ground for industrial nations with a projected growth rate of -7.8 percent. The IMF predictions are less severe for emerging markets and developing economies, with growth forecast at -3.0 percent. As the only country with a positive IMF projection of one percent, China's impact on this figure is expected to be substantial. The predictions of the World Bank[3] and the Organization for Economic Co-operation and Development (OECD)[4] are even more pessimistic, envisaging a 5.2-percent and 6.0-percent contraction in global GDP respectively, provided there is no second wave of infections in the fall.

Governments have implemented wide-ranging fiscal measures to manage the crisis, revive demand and protect jobs and companies. These include state aid and stimulus packages as well as short-time work models for employees. In addition, by rapidly implementing monetary policies, central banks have thus far prevented the public health and economic crisis from developing into a financial crisis.[5]

Trends in the construction equipment sector

According to the latest information from the German Engineering Federation (VDMA),[6] the effects of the Covid-19 pandemic already started to impact the global construction equipment market in the first quarter of 2020, clearly exacerbating the existing downward trend. The key markets of North America, Europe and China all reported losses in the first quarter. North America experienced the sharpest drop at -21 percent. In contrast, sales of construction equipment in the Middle East and Russia were still developing positively, growing by 27 percent and 8 percent respectively. Among emerging markets, South America and Africa experienced just a slight contraction in the first quarter. India, however, was particularly hard hit, reporting a drop of 34 percent.

The European construction industry experienced a severe downturn in March. This was caused by protective measures aimed at containing the Covid-19 pandemic, which exerted a strong squeeze on construction activity and demand. In light of these developments, the slowdown in the first quarter proved to be relatively moderate at -5 percent according to information from the Committee for European Construction Equipment (CECE). This figure, however, includes results for January and February, neither of which were affected by the crisis. By contrast, March revenue dropped by as much as 18 percent. The German construction equipment market, which is the largest European market, reported a 3-percent rise in revenue in the first quarter and thus remained on its growth path since 2014. In contrast, France and the UK, the second and third largest markets, saw revenue fall by 25 percent and 23 percent respectively.[7]

Overall, the CECE expects the impact of the Covid-19 crisis to be felt in full in the second quarter – with major repercussions for the construction equipment sector. However, it is anticipated that the effect on markets such as Germany, Scandinavia and the Netherlands will be less pronounced as construction activity in these countries has been subject to fewer restrictions by comparison.[8]

Trends in the agricultural technology sector

The shock of the Covid-19 pandemic caused the business barometer published by the European umbrella association for the agricultural machinery industry (CEMA)[9] to fall in April to its lowest level since the financial crisis of 2008/09. By June, however, it had already climbed back to almost the same level as fall 2016, which was the starting point of the last upswing. The negative mood across the European agricultural equipment industry was primarily caused by restrictions on sales and distribution activities as well as supplier bottlenecks – both of which were consequences of protective measures. As a result, production capacity utilization slumped to 60 percent of pre-coronavirus levels in April. By June, however, it had already improved significantly to 83 percent.

Latest developments from the first half of the year

Product highlights

In the first half of 2020, Wacker Neuson launched numerous products tailored to the needs of customers, including new innovations in its zero emission range. The EZ17e, for example, is the first fully electric mini excavator to be added to this portfolio of emissions-free machines. Featuring a specially developed battery technology and flexible charge management concept, this excavator offers users the same experience as conventional models in the same class without compromising on performance or versatility. The integrated lithium-ion battery lasts a full working day, and can power the EZ17e in cable-free mobile mode or be connected to a power supply and charged while the operator is working in stationary mode. The premium lithium-ion battery technology has been used for several years by Wacker Neuson and

[1] Source: BMWi, June 2020, Schlaglichter der Wirtschaftspolitik, Berlin
[2] Source: IMF, June 2020, World Economic Outlook, Update
[3] Source: World Bank, June 2020, Global Outlook, Pandemic, Recession: The Global Economy in Crisis
[4] Source: OECD, June 2020, Economic Outlook
[5] Source: OECD, June 2020, Economic Outlook
[6] Source: VDMA, June 2020, Economic Situation, Construction Equipment and Building Material Machinery, Frankfurt
[7] Source: Committee For European Construction Equipment, May 2020, Quarterly Economic Bulletin, Brussels
[8] Source: Committee For European Construction Equipment, May 2020, Quarterly Economic Bulletin, Brussels
[9] Source: CEMA, Business Barometer April, May, June

is particularly long lasting. It ensures that all hydraulic functions deliver the same power as a conventional model in the same class.

Wacker Neuson further expanded its compact equipment offering with its innovative WL34 and WL110 wheel loaders. The WL110 10-ton model is ideal for heavy-duty material handling. This powerhouse from Wacker Neuson enables customers to boost productivity levels and thus increase material handling capabilities in building construction and civil engineering, municipal works and gravel production, for instance. With the new version of its WL34 wheel loader, Wacker Neuson brought an even more powerful allrounder to the market.

In addition to launching innovative machines, Wacker Neuson continues to roll out digitalization solutions. The technology that links the proven Compatec compaction control system with the EquipCare telematics solution (Compamatic) is now also available for heavy-duty vibratory plates so customers can track compaction progress remotely and seamlessly document quality control workflows. Compamatic enables customers to plan construction site processes even more efficiently.

Kramer has launched its new 5035 and 5040 compact wheel loaders for the construction sector. The new machines deliver outstanding performance on a compact footprint and are equipped with new comfort features. Their compact design makes them ideal for low clearances and narrow passages. These series come with all-wheel-drive steering as standard, making these machines particularly maneuverable and enabling them to be rapidly loaded in the narrowest of spaces. All of these features make them ideal all-rounders for the construction sector, capable of meeting the most stringent requirements.

Kramer’s new telehandlers for the agricultural sector are equipped with powerful emissions Stage V engines and a host of cutting-edge features. Kramer offers a range of options to ensure excellent all-round visibility, all designed to make it easier for operators to work with the boom extended. Highlights include a raised cabin option, which is 20 centimetres higher with a bigger glass surface, plus optimized visibility through the protective cage. Selected models also come with a fourth – “flexible crab” – steering option, making the machine even more versatile. On top of this, the Smart Handling driver assistance system enables operators to get jobs done quickly and safely.

2020 Annual General Meeting

The Annual General Meeting (AGM) of Wacker Neuson SE took place on June 30, 2020. Due to the special circumstances surrounding the Covid-19 pandemic, the meeting was held virtually for the first time without shareholders or their proxyholders being physically present (with the exception of the proxies appointed by the company).

Approximately 73 percent of the company’s share capital of 70,140,000 shares made use of their voting rights. Shareholders approved the Executive Board and Supervisory Board’s proposal to suspend the dividend payout for the past fiscal year and to carry forward net profit onto new account. In light of the unpredictability of the Covid-19 pandemic ramifications, this measure strengthened the financial position and resilience of the Group.

The re-election of all members of the Supervisory Board who were renominated for a further term – Mag. Kurt Helletzgruber, Mr. Hans Neunteufel, Prof. Dr. Matthias Schüppen and Mr. Ralph Wacker – was approved at the Annual General Meeting. The two incumbent employee representatives, Mr. Elvis Schwarzmair and Mr. Christian Kekelj, had already been appointed for a further term on the Supervisory Board prior to the meeting by resolution of the SE Works Council. Mr. Neunteufel retains his position as chairman of the Supervisory Board and Mr. Wacker has again been appointed deputy chairman. Mr. Helletzgruber remains chairman of the Audit Committee while Mr. Neunteufel continues in his position as chairman of the Presiding Committee.

The actions of the Executive Board and Supervisory Board for fiscal 2019 were approved. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was again appointed as the official auditor to review the Financial Statements. In addition to this, the shareholders approved a profit transfer agreement concluded between Wacker Neuson SE and Group company Kramer-Werke GmbH.

Program to cut costs and increase efficiency

In light of the unsatisfactory development of profitability in 2019, the Executive Board approved a program to reduce costs and increase profitability in January. The Executive Board expects the planned initiatives to yield potential savings of around EUR 50 million relative to fiscal 2019. These will be achieved gradually throughout 2020 and 2021. At the same time, the Group expects one-off costs of around EUR 10 million associated with the implementation of this program. These costs will primarily occur in 2020 (for further information, refer to p. 73 of the 2019 Annual Report).

The Group already started to see initial positive effects from this program in the first half of 2020, primarily in the areas of procurement and production. The Group was able to significantly reduce procurement prices for material, components and services, for example, despite purchasing these in much lower volumes. The Group also made progress with regard to cost deficits at its production plants, even though productivity was impacted by major cutbacks to production programs and temporary site closures. With regard to restructuring the sales organization and optimizing outbound logistics, the Group currently has several teams working on the implementation phase here (for further information, refer to p. 73 of the 2019 Annual Report). Restructuring of the sales organization in North America resulted in one-off expenses of around EUR 2 million.

Capital market communication and share trends

The Wacker Neuson share increased in value by around three percent in 2019. In 2020, however, the share already reached its high for the period under review on January 2, when it was listed at EUR 17.51. When the Group published its preliminary figures for fiscal 2019 on January 20, it also had to withdraw its earnings guidance. The move prompted a sharp acceleration in the downward trend noted during the first few weeks of trading in 2020. As local outbreaks of the coronavirus quickly spread to become a global pandemic, the resulting mitigating measures and lockdowns brought economic activity to a standstill in many parts of the world, causing stock markets across the globe to plunge from the end of February onwards. Subsequently, the Wacker Neuson share reached its low for the period under review of EUR 8.47 on March 12. The share price began to increase in value again in the second half of March, reaching an initial high of EUR 11.82 in April before it started to move up again in the second half of May.

The Wacker Neuson share closed at EUR 13.44 on June 30, which was the last trading day of the first half of the year and also the day of the Annual General Meeting. This is around 21 percent lower than at the close of 2019 (EUR 17.05). The share’s peer group[1] reported a drop in value of 13 percent over the same period, while the

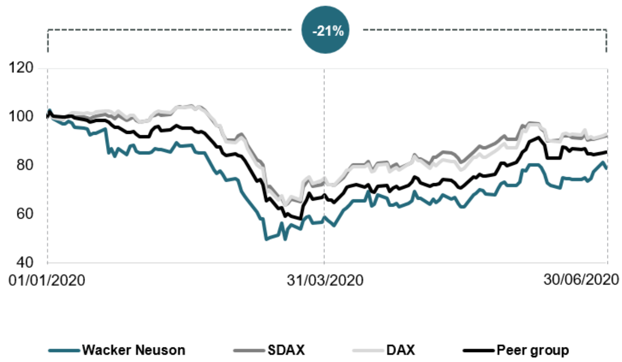
[1] Peer group: Ashtead, Atlas Copco, Bauer, Caterpillar, Deutz, DoosanBobcat, Haulotte, Husqvarna, John Deere, Komatsu, Manitou, Palfinger, Terex, United Rentals, Volvo.

DAX (-7 percent) and SDAX (-8 percent) followed a more moderate trajectory. At the close of the six-month period, market capitalization amounted to EUR 942.7 million (with 70.14 million shares).

The Executive Board and the Investor Relations team informed capital market players at the AGM and at various investor conferences and roadshows and the press conference on financial results in fiscal 2019. Due to the special circumstances surrounding the Covid-19 pandemic, the Group attended and/or organized all investor events virtually from March 2020 onwards. Analysts and investors were given detailed insights into market and business trends and the Group's strategic direction as well as the progress made thus far in implementing the Group's cost reduction and efficiency enhancement program presented back in January.

SHARE PRICE TRENDS JANUARY 1, 2020 THROUGH JUNE 30, 2020

AS A %



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

Profit

Revenue trends and cost of sales

After a positive start to fiscal 2020, the economic situation deteriorated significantly due to the rapid spread of the coronavirus pandemic in the second half of March. Revenue for the first quarter contracted by a relatively moderate 5.6 percent. However, conditions became increasingly challenging in April. The protective measures implemented by many countries, institutions and companies interrupted construction activity and supply chains. Widespread lockdowns and major uncertainties about how the pandemic would develop had a markedly negative impact on customers' investment behavior and also the Wacker Neuson Group's business situation.

As a result, the Group reported a significant double-digit drop in revenue and order intake in April and May compared with prior-year figures.[1] However, the first signs of recovery started to emerge in June in a number of European countries in particular, and revenue for the Europe segment was once again slightly higher than in the previous year.[2] In contrast, the effects of the Covid-19 pandemic continued to dampen business in North America. Overall, Group revenue in June remained below the prior-year level by a low double-digit margin.[3] Order intake, however, once again climbed above the figure for the month of June 2019 for the first time since the start of the crisis.[4]

Cumulative revenue for the second quarter amounted to EUR 385.9 million and was thus 25.4 percent below the prior-year figure (Q2/2019: EUR 517.2 million). Adjusted for currency effects, this corresponds to a drop of 25.2 percent. Revenue for the first six months of the year fell 16.4 percent (H1/2020: EUR 796.7 million; H1/2019: EUR 952.6 million). Adjusted for currency effects, revenue fell 16.5 percent.

The Group's business with customers in the agricultural sector had a stabilizing effect, with revenue growing 0.9 percent to EUR 153.4 million (H1/2019: EUR 152.0 million). In the construction sector, robust trends in Germany, Austria and Switzerland in particular softened sharp downturns in Southern Europe and the Americas. The Group's business with key accounts worldwide developed below par due to the prevailing uncertainties.

Profit developments

Cost of sales followed an almost identical trajectory to revenue during the first half of the year and was 15.9 percent below the previous year (H1/2020: EUR 591.8 million; H1/2019: EUR 703.8 million). Gross profit amounted to EUR 204.9 million (H1/2019: EUR 248.8 million). The gross profit margin settled at 25.7 percent and was thus only slightly lower than the previous year (H1/2019: 26.1 percent). In the second quarter, the gross profit margin was posted at 24.8 percent (Q2/2019: 26.5 percent).

The sharp downturn in sales volume had a particularly strong impact. The Group was able to mitigate some of the negative effects on earnings by rapidly implementing measures in response to the sharp drop in demand. These included bringing forward vacation periods and implementing a range of short-time work models. In addition to this, the Group began to see initial positive effects of more favorable procurement prices, which it managed to secure as part of its program to reduce costs and increase efficiency levels.

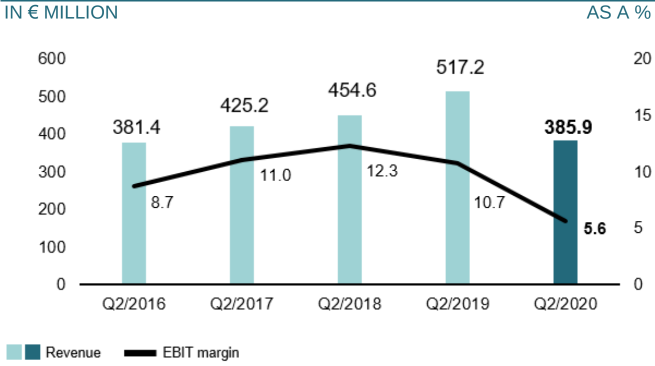
A valuation effect on spare parts inventories also had a positive impact. The introduction of a new IT solution in the Group's spare parts department in fiscal 2020 enabled spare parts to be classified into more detailed categories (ABC parts) for the first time at the interim reporting date of June 30, 2020. This improvement in data quality enabled the Group to carry out a change in an accounting estimate for spare parts within the scope of IAS 8. This resulted in a positive effect for spare parts inventories in the amount of EUR 3.9 million, which was recognized in the interim financial statements at June 30, 2020. This one-off effect was disclosed under cost of sales.

An improved product mix, shaped by a higher revenue share for the services segment, had a further positive impact on the development of gross profit.

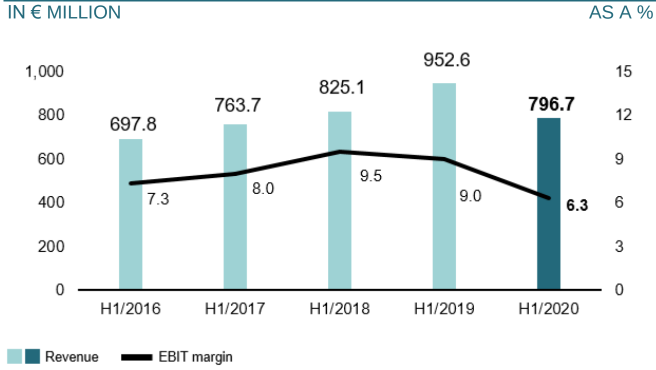
Development of operating costs

While cost of sales is directly linked to sales volumes achieved by the Group, operating costs follow a less variable trajectory. Nevertheless, total SG&A and R&D expenses for the first half of the year fell 11.0 percent to EUR 150.4 million as a result of cost-efficiency measures implemented by the Group (H1/2019: EUR 169.0 million). These included reductions in overhead costs, a recruitment freeze and savings in other property, plant and equipment costs.

QUARTERLY DEVELOPMENT OF REVENUE AND EBIT MARGIN Q2 2016–2020



DEVELOPMENT OF REVENUE AND EBIT MARGIN H1 2016–2020



[1] Revenue in April around 42 percent below previous year, revenue in May around 24 percent below previous year; order intake in April around 58 percent below previous year, order intake in May around 33 percent below previous year.

[2] Revenue in June for Europe region around 3 percent above previous year.

[3] Revenue in June around 11 percent below previous year.

[4] Order intake in June around 35 percent above previous year.

Temporary closures of production sites and government-backed employment policy measures to support businesses also helped dampen costs. Despite this, their share of revenue increased to 18.9 percent (H1/2019: 17.7 percent).

Sales and service expenses fell 8.4 percent relative to the previous year to EUR 101.5 million (H1/2019: EUR 110.8 million). This was primarily attributable to a drop in personnel and building costs as well as reduced expenses for trade shows and events. In the previous year, these expenses were pushed up in particular by costs associated with the leading international trade fair Bauma. Less favorably, write-downs on receivables amounted to EUR 4.3 million in the first half of 2020. This was primarily attributable to individual customers in Chile, the US, China and Canada. Expressed as a percentage of revenue, sales and service expenses rose to 12.7 percent (H1/2019: 11.6 percent).

Research and development costs amounted to EUR 16.3 million (H1/2019: EUR 19.4 million). Capitalized expenses came to EUR 15.8 million (H1/2019: EUR 11.8 million). As a percentage of revenue, research and development costs (including capitalized R&D expenses) rose to 4.0 percent (H1/2019: 3.3 percent).

At EUR 32.6 million, general administrative costs were 16.0 percent below the previous year (H1/2019: EUR 38.8 million). Reduced IT, personnel, building and travel expenses had a positive impact here. Expressed as a relative share of revenue, administrative expenses thus remained unchanged at 4.1 percent (H1/2019: 4.1 percent).

The balance from the items “Other income” and “Other expenses” amounted to EUR -4.1 million in the first half of the year and was thus lower than in the previous year (H1/2019: EUR 6.4 million). This is mainly due to a write-down on goodwill in the amount of EUR 9.5 million (refer to the following paragraph). This was partly offset by the sale of a property in Serbia, which had a positive effect on earnings in the amount of EUR 1.4 million.

Impairment of goodwill attributed to the US subgroup
Given the impact of the Covid-19 pandemic, the Executive Board of Wacker Neuson SE decided to review the business prospects of all key Group entities. The pandemic is having a particularly marked impact on business in North America, where demand from key accounts in particular, including rental companies, continues to develop significantly below internal projections. As a result, expectations in relation to the business performance of this region have been adjusted. Based on this updated business planning and the impairment test of the entity’s assets, the goodwill attributed to the US subgroup in the amount of EUR 9.5 million has been fully written down. The review did not indicate a need to recognize impairment losses for the two cash-generating units Weidemann GmbH and Wacker Neuson Beteiligungs GmbH.

As a result, write-downs for the first six months of the year were significantly higher than the previous year (H1/2020: EUR 63.9 million; H1/2019: EUR 51.1 million; Q2/2020: EUR 36.7 million; Q2/2019: EUR 26.7 million). Write-downs on property, plant and equipment and intangible assets amounted to EUR 43.6 million in the first half of the year and EUR 26.7 million in the second quarter of the year (H1/2019: EUR 31.0 million; Q2/2019: EUR 16.2 million). Write-downs on the Group’s rental equipment increased only slightly to amount to EUR 20.3 million in the first half of the year and EUR 10.0 million in the second quarter (H1/2019: EUR 20.1 million; Q2/2019: EUR 10.5 million).

Development of EBIT, financial result and profit for the period
Profit before interest and tax (EBIT) for the first half-year fell 41.5 percent to EUR 50.4 million (H1/2019: EUR 86.2 million[1]). The EBIT margin amounted to 6.3 percent (H1/2019: 9.0 percent). The sharp downturn in sales volume and the goodwill impairment attributed to the US subgroup were the main factors that impacted on profit here.

EBIT for the second quarter of 2020 was 61.1 percent below the previous year (Q2/2020: EUR 21.5 million; Q2/2019: EUR 55.2 million[1]). The EBIT margin amounted to 5.6 percent compared with 10.7 percent in the prior-year quarter. This includes the goodwill impairment mentioned above.

Financial result and profit for the period
The financial result for the period under review amounted to EUR -13.8 million (H1/2019: EUR -6.4 million) and was negatively influenced by currency effects in the amount of EUR -7.8 million (H1/2019: EUR -0.5 million). This was primarily attributable to negative effects related to internal Group liabilities. The sharp decline in the value of several currencies that are heavily dependent on commodity market trends had a particular impact here. Interest income included in the financial result amounted to EUR -6.0 million, remaining at the same level as the previous year (H1/2019: EUR -5.9 million).

Profit before tax (EBT) for the first six months of the year was EUR 36.6 million (H1/2019: EUR 79.8 million). EBT for the second quarter amounted to EUR 19.9 million compared with EUR 49.9 million in the previous year.

Tax expenditure came to EUR 13.9 million in the first half-year and to EUR 7.6 million in the second quarter (H1/2019: EUR 25.4 million; Q2/2019: EUR 16.3 million). This corresponds to a tax rate of 38.0 and 38.2 percent respectively (H1/2019: 31.8 percent; Q2/2019: 32.7 percent). The tax rate for the second quarter deviates from the rate communicated (around 51 percent) when the preliminary figures were published. The reason for this deviation is the correction of an error in line with IAS 8, which requires the effect of one-off items relevant to the tax rate of individual quarters to be spread over the fiscal year as a whole. In line with this, the tax rate for the first quarter of 2020 has also been adjusted (for more information, see p. 26 in the Notes).

The increase in the tax rate relative to the previous year is attributable on the one hand to the negative earnings reported by affiliates for which no deferred taxes could be capitalized. At the same time, existing deferred tax assets also had to be partly written down. Furthermore, the negative effects related to internal Group liabilities and the goodwill impairment attributed to the US subgroup mentioned above are not tax-deductible.

Profit for the first half of the year thus amounted to EUR 22.7 million (H1/2019: EUR 54.4 million). This corresponds to earnings per share of EUR 0.32 based on 70.14 million ordinary shares (H1/2019: EUR 0.78). Profit for the second quarter of 2020 amounted to EUR 12.3 million (Q2/2019: EUR 33.6 million). Profit per share was posted at EUR 0.18 (Q2/2019: EUR 0.48).

[1] EBIT for the previous year was adjusted retrospectively. This is due to 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. Information on this is available on page 86 of the Annual Report.

Financial position

Cash flow developments
At EUR 124.8 million for the first half of 2020 and EUR 102.4 million for Q2, cash flow from operating activities was clearly positive (H1/2019: EUR -143.0 million; Q2/2019: EUR -28.2 million). This is primarily attributable to a reduction in inventory and a drop in trade receivables. This development was offset by the expansion of long-term financing programs in North America as well as a reduction in trade payables (refer to "Net working capital[1] developments" on page 9). In the previous year, a sharp rise in net working capital resulted in a clearly negative cash flow.

In contrast, gross cash flow before changes in net working capital for the first half of the year was lower than the prior-year figure and amounted to EUR 73.9 million (H1/2019: EUR 93.0 million). One of the key effects here was the weaker development of profit caused by a slowdown in revenue. In addition to this, the above-mentioned expansion of dealer financing in North America had a negative impact on gross cash flow. Eliminating increased write-downs as non-cash items from the cash flow statement had a stronger opposite effect compared to the prior year. The lower build-up of rental equipment relative to the prior-year period had a positive impact on the gross cash flow. A change in miscellaneous liabilities, primarily attributable to a rise in VAT liabilities and deferred social security contributions, also had a positive effect here.

Cash flow from investment activities amounted to EUR -31.9 million for the first half of the year and EUR -13.8 million for the second quarter and was thus below the prior-year figures for both periods (H1/2019: EUR -41.5 million; Q2/2019: EUR -14.0 million). Due to continued high levels of uncertainty related to the coronavirus, all planned investments have been re-evaluated and postponed – wherever possible and advisable – to further secure the Group's liquidity.

The Group made investments in the total amount of EUR 36.1 million in the first six months of 2020 (H1/2019: EUR 33.7 million[2]), of which EUR 16.2 million was channeled into property, plant and equipment (H1/2019: EUR 18.6 million). This includes in particular investments to expand production and logistics at the sites in Korbach and Pfullendorf. Investments in intangible assets rose to EUR 19.9 million (H1/2019: EUR 15.1 million) and mainly include capitalizations from development activities and IT projects.

Free cash flow for the first six months of 2020 was thus clearly positive at EUR 92.9 million (H1/2019: EUR -184.5 million). Free cash flow for the second quarter amounted to EUR 88.6 million despite the sharp downturn in the business volume (Q2/2019: EUR -42.2 million).

Cash flow from financing activities for the first half of the year amounted to EUR 24.8 million (H1/2019: EUR 191.5 million). The Group increased its liquid funds by drawing on short-term credit lines. This precautionary step was taken to further bolster liquidity reserves in response to the uncertainties related to the Covid-19 pandemic. Cash inflows from short-term borrowings amounted to EUR 63.4 million (H1/2019: EUR 165.6 million). Suspending the dividend for fiscal 2019 also had a positive effect relative to the previous year. The Executive Board and Supervisory Board had initially proposed paying out EUR 0.60 per share, which would have amounted to a total payout of EUR 42.1 million. In 2019, the Group made a dividend payout of EUR 0.60 per share as well as an additional special dividend payout in the amount of EUR 0.50 per share to let shareholders benefit from the sale of a real-estate company held by the Group (dividend payout H1/2019: EUR 77.2 million).

FINANCIAL POSITION
IN € MILLION

	Q2/2020	Q2/2019	H1/2020	H1/2019
Cash flow from operating activities	102.4	-28.2	124.8	-143.0
Cash flow from investment activities	-13.8	-14.0	-31.9	-41.5
Free cash flow	**88.6**	**-42.2**	**92.9**	**-184.5**
Cash flow from financial activities	-9.1	70.2	24.8	191.5
Effect of exchange rates on cash and cash equivalents	-0.3	-0.3	-0.8	0.1
Change in cash and cash equivalents	**79.2**	**27.7**	**116.9**	**7.1**
Cash and cash equivalents at beginning of period	84.0	23.2	46.3	43.8
Cash and cash equivalents at end of period	**163.2**	**50.9**	**163.2**	**50.9**

[1] Net working capital = inventories + trade receivables - trade payables.
[2] Excluding a portfolio investment in the first half of 2019 in the amount of EUR 8.8 million.

Assets

Net working capital developments
Since the start of the year, net working capital decreased 8.5 percent to EUR 743.0 million (December 31, 2019: EUR 811.7 million). Compared with the previous year, net working capital contracted 13.4 percent (June 30, 2019: EUR 858.4 million). The ratio of net working capital to annualized revenue based on Q2/2020 rose to 48.1 percent due to the sharp drop in revenue (Q2/2019: 41.5 percent).

Inventory levels of machines and raw materials and supplies decreased by 9.7 percent in the first half of the year to EUR 544.3 million (December 31, 2019: EUR 602.5 million; June 30, 2019: EUR 644.5 million). Fueled by the marked drop in revenue during the second quarter, days inventory outstanding (DIO) amounted to 171 days (June 30, 2019: 155 days).[1] The decrease in revenue initially disrupted the Group's plans to streamline inventory, resulting in a slight rise in inventory for the first three months of the year. In the second quarter, however, it was able to counter this development by rapidly adjusting production capacities, which, in turn, resulted in a significant reduction in inventory levels.[2] Inventory still includes EUR 8.6 million in pre-buy engines, which the Group specifically stocked up in preparation for the transition to the Stage V emissions standard in Europe (refer to "Other factors that impacted on results", page 13).

In addition to adjusting production programs, the Group is utilizing IT systems to achieve target stock levels. 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 affiliate 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) was rolled out in July 2020, allowing an integrated approach to sales and production planning to be expanded across the Group. The Group aims to gradually reduce inventory further to EUR 500 million by the end of 2020.

Trade receivables decreased to EUR 320.3 million in the first half of the year (December 31, 2019: EUR 359.1 million; June 30, 2019: EUR 412.6 million). This decrease is primarily attributable to the extension of customer financing in North America, which entailed moving short-term receivables to non-current assets. In addition, accounts receivable increased in the previous year due to strong revenue growth in the first half of the year.

In light of the weak revenue basis, days sales outstanding rose from 73 days in the previous year to 76 days.[3] Trade payables amounted to EUR 121.6 million at the closing date and were thus significantly lower than comparable values (June 30, 2019: EUR 198.7 million; December 31, 2019: EUR 149.9 million). This drop was due to a fall in purchasing volume. Days payable outstanding thus fell from 48 days at the prior-year closing date to 38 days.[4]

Development of key balance sheet items
The balance sheet total increased to EUR 2,262.6 million at the close of the first six months of the year (December 31, 2019: EUR 2,196.6 million; June 30, 2019: EUR 2,262.6 million).

Total non-current assets rose to EUR 1,001.8 million (December 31, 2019: EUR 974.1 million; June 30, 2019: EUR 933.2 million). This increase since the close of 2019 was primarily attributable as mentioned above to the reclassification of short-term receivables related to dealer financing programs in the US. This is partly offset by the goodwill impairment attributed to the US subgroup. In addition, minority shareholdings were re-evaluated on the reporting date, June 30, 2020, in conjunction with the revisions to the company's business prospects (shareholdings at June 30, 2020: EUR 7.0 million; December 31, 2019: EUR 11.5 million; June 30, 2019: EUR 11.5 million).

At the close of the first half-year, current assets amounted to EUR 1,260.8 million (December 31, 2019: EUR 1,222.5 million; June 30, 2019: EUR 1,329.4 million). The rise was primarily caused by the increase in cash and cash equivalents linked to the exceptionally high levels of uncertainty regarding the future development of the coronavirus pandemic. This was partly offset by the development of inventory and trade receivables described above.

Non-current liabilities amounted to EUR 550.3 million at June 30, 2020 and thus remained almost unchanged compared with December 31, 2019 (December 31, 2019: EUR 549.7 million; June 30, 2019: EUR 534.1 million).

Current liabilities rose to EUR 470.5 million at the end of the period under review (December 31, 2019: EUR 421.9 million; June 30, 2019: EUR 540.9 million). This rise was fueled primarily by an increase in short-term borrowings from banks in order to strengthen liquidity. Other current non-financial liabilities also increased (June 30, 2020: EUR 78.2 million; December 31, 2019: EUR 50.1 million; June 30, 2019: EUR 57.0 million). This rise was largely attributable to increased VAT liabilities and deferred social security contributions. This was offset by the reduction in trade payables.

NET WORKING CAPITAL
IN € MILLION

	Jun. 30, 2020	Dec. 31, 2019	Changes	Jun. 30, 2019	Changes
Inventory	544.3	602.5	-10%	644.5	-16%
+ Trade receivables	320.3	359.1	-11%	412.6	-22%
- Trade payables	121.6	149.9	-19%	198.7	-39%
Net working capital	743.0	811.7	-8%	858.4	-13%
Net working capital / annualized quarterly revenue	**48.1%**	**42.2%**	**-5.9PP**	**41.5%**	**-6.6PP**

[1] Days inventory outstanding = (inventory at the interim reporting date / annualized cost of sales for the preceding quarter)*365 days.
[2] Change in inventory in the second quarter: -12.6 percent.
[3] Days sales outstanding = (trade receivables at the interim reporting date / annualized revenue for the preceding quarter)*365 days.
[4] Days payables outstanding = (trade payables at the interim reporting date / annualized cost of sales for the preceding quarter)*365 days.

Group equity amounted to EUR 1,241.8 million at the end of the reporting period (December 31, 2019: EUR 1,225.0 million; June 30, 2019: EUR 1,187.6 million). The equity ratio came to 54.9 percent (December 31, 2019: 55.8 percent; June 30, 2019: 52.5 percent). The resolution passed at the Annual General Meeting to suspend the dividend payout for fiscal 2019 had a positive effect here. The Group's share capital remained unchanged at EUR 70.14 million.

Net financial debt

Net financial debt[1] decreased to EUR 363.1 million in conjunction with the clearly positive free cash flow (December 31, 2019: EUR 439.0 million; June 30, 2019: EUR 484.3 million). Gearing[2] fell from 35.8 percent at the start of the year to 29.2 percent at the interim reporting date (June 30, 2019: 40.8 percent). The definition of net financial debt as applied by Wacker Neuson SE does not include lease liabilities in accordance with IFRS 16.

The Group's strong credit rating was confirmed by the German Bundesbank, which again approved Wacker Neuson SE's eligibility for credit.

NET FINANCIAL DEBT

IN € MILLION

	Jun. 30, 2020	Dec. 31, 2019	Jun. 30, 2019
Long-term financial borrowings	371.1	372.4	364.1
Short-term borrowings from banks	154.6	112.4	168.3
Current portion of long-term borrowings	0.6	0.5	2.8
Cash and cash equivalents	163.2	46.3	50.9
Total net financial position	**363.1**	**439.0**	**484.3**
Gearing as a %	**29.2**	**35.8**	**40.8**

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.

[1] Net financial debt = long- and short-term borrowings + current portion of long-term borrowings – marketable securities (if available and freely disposable) - cash and cash equivalents.
[2] Gearing = net financial debt/equity.

Segment reporting

The Wacker Neuson Group supports customers across the globe with its broad product and service portfolio.

Segment reporting provides an overview of business developments according to region (Europe,[1] Americas and Asia-Pacific). The Group also breaks revenue down according to business segment (light equipment, compact equipment and services).

REVENUE BY REGION H1/2020
AS A % (H1/2019)

Results for Europe, the Americas and Asia-Pacific

Europe

Europe's share of revenue increased considerably during the first half of 2020 to 79.3 percent (H1/2019: 72.7 percent). European markets, in particular Germany, Austria and Switzerland, were not as strongly impacted by the Covid-19 pandemic as the Americas. As a result, revenue for Europe decreased by a relatively low 8.8 percent to EUR 631.4 million (H1/2019: EUR 692.5 million). This corresponds to a fall of 8.9 percent when adjusted for currency effects.

Group revenue for Europe amounted to EUR 305.0 million in the second quarter of 2020 (Q2/2019: EUR 375.8 million), which is an 18.8-percent reduction on the previous year. Adjusted for currency effects, this corresponds to a drop of 18.7 percent. April and May were strongly affected by the coronavirus crisis although the first signs of recovery were evident in June, when revenue and order intake rose above the previous year's levels for the first time since the start of the crisis.

Profit before interest and tax (EBIT)[2] for the first half of the year amounted to EUR 81.3 million, which is a decrease of 21.8 percent relative to the previous year (H1/2019: EUR 104.0 million). This decrease was primarily attributable to the significant decline in the business volume.

In the construction sector, Germany, Austria and Switzerland proved to be particularly robust. The Group benefited here from its extensive network of direct sales channels, which it uses to offer customers a wide range of flexible rental, sales and service solutions. In contrast, far-reaching lockdowns in countries in Southern Europe as well as France and the UK had an extremely negative impact on business and caused revenue to fall sharply in these areas. From June onwards, these countries started to show initial signs of a gradual return to normality.

Business with key accounts developed below par due to uncertainties related to the Covid-19 pandemic.

The Group's business with customers in the agricultural sector had a stabilizing effect. Revenue in this industry grew 0.9 percent to EUR 153.4 million (H1/2019: EUR 152.0 million).

Americas

The Americas region has been particularly hard hit by the Covid-19 pandemic, and revenue for the region decreased considerably in the first half of the year by 38.0 percent to EUR 143.4 million (H1/2019: EUR 231.2 million). The sharp drop in revenue caused the region's share of total revenue to contract to 18.0 percent (H1/2019: 24.3 percent). Adjusted for currency effects, revenue decreased 38.6 percent.

Revenue for the second quarter decreased 47.2 percent to EUR 66.5 million (Q2/2019: EUR 125.9 million).

The drop was primarily attributable to key accounts, including rental companies, adopting an extremely cautious approach to investments. At the time this report was drawn up, the US was still experiencing very high infection rates. As such, uncertainties regarding the future development of the pandemic there remain particularly high.

REGIONAL DEVELOPMENTS IN REVENUE AND EBIT
IN € MILLION

	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	Europe		Americas		Asia-Pacific		Consolidation		Group	
H1										
Revenue	631.4	692.5	143.4	231.2	21.9	28.9			796.7	952.6
EBIT	81.3	104.0	-21.2	7.5	-2.8	-1.1	-6.9	-24.2	50.4	86.2
Q2										
Revenue	305.0	375.8	66.5	125.9	14.4	15.5			385.9	517.2
EBIT	32.2	57.9	-16.0	4.2	-1.4	0.6	6.7	-7.5	21.5	55.2

[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.

In South America, the Covid-19 pandemic has further exacerbated the pre-existing challenging market conditions caused by the political situation in the region. Roles and responsibilities for South American markets were reassigned as part of the Group's program to reduce costs and increase efficiency and the subsequent optimization of global sales structures. Dealers have also been digitally connected to the US sales affiliate, which is now supporting dealers in the region.

Profit before interest and tax (EBIT)[4] in the Americas amounted to EUR -21.2 million for the first half of the year (H1/2019: EUR 7.5 million). This includes an impairment loss in the amount of EUR 9.5 million on the goodwill attributed to the US subgroup. Profit for the first half of 2020 was further impacted by write-downs on receivables in the amount of EUR 3.1 million (H1/2019: EUR 0.2 million) and one-off expenses related to the Group's program to reduce costs and increase efficiency in the amount of EUR 2.1 million. Profit before interest and tax (EBIT) for the previous year was adjusted retrospectively. This is due to 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. Information on this is available on page 86/87 of the 2019 Annual Report.

Asia-Pacific
Revenue for the first half of 2020 in Asia-Pacific contracted 24.2 percent to EUR 21.9 million (H1/2019: EUR 28.9 million). Adjusted for currency effects, this corresponds to a decrease of 22.1 percent. This region's share of total revenue thus amounted to 2.7 percent (H1/2019: 3.0 percent).

Revenue for the region in the second quarter fell 7.1 percent to EUR 14.4 million (Q2/2019: EUR 15.5 million). Adjusted for currency effects, this corresponds to a fall of 4.5 percent.

In China, the effects of the coronavirus were primarily felt in the first quarter. The Chinese production plant in Pinghu and the Chinese dealer organization were temporarily brought to a complete standstill by the lockdown measures implemented by the Chinese government. However, production had already resumed at almost full capacity by April. This meant that Q2 revenue for China was again growing at a high single-digit rate relative to the previous year,[1] following a high double-digit loss in the first quarter.[2]

Australia reported a double-digit revenue loss in the first half of the year.[3] Business with the new Dingo Mini Loader developed positively with over 100 units sold since the market launch in March. The new machine is targeted primarily at customers in the rental and landscaping sectors as well as smaller businesses.

Profit before interest and tax (EBIT)[4] for Asia-Pacific amounted to EUR -2.8 million (H1/2019: EUR -1.1 million). In addition to underutilization at the Chinese production plant in the first quarter, the Group continues to face strong pressure on prices in the Chinese compact excavator market, especially in the five- to seven-ton class. In this context, there was also a write-down on the carrying value of a development project in the amount of EUR 0.6 million and on inventory in the amount of EUR 0.9 million. In the previous year, the resolution of a legal dispute resulted in a positive effect on profit.

Effects of consolidation
In the first half of the year, interim profit in the amount of EUR 6.9 million was eliminated (H1/2019: EUR 24.2 million). This was due to the expansion of the Group's rental equipment and a rolling adjustment to the internal Group margin used to determine interim profit.

Results for the light equipment, compact equipment and services segments

REVENUE BY BUSINESS SEGMENT[1] H1/2020
AS A % (H1/2019)

21.9	Light equipment (25.7)
54.7	Compact equipment (55.9)
23.3	Services (18.4)

[1] Consolidated revenue before cash discounts.

Light equipment revenue trends
The light equipment business segment covers the Wacker Neuson Group's activities within the strategic business fields of concrete technology, compaction and worksite technology.

Revenue[5] for the first half of the year fell 28.7 percent to EUR 176.2 million. This was primarily due to the weak North American market. Adjusted for currency effects, revenue decreased by 28.7 percent (H1/2019: EUR 247.1 million). The segment's share of total revenue decreased to 21.9 percent (H1/2019: 25.7 percent).

Revenue for the second quarter contracted 41.7 percent to EUR 80.0 million (Q2/2019: EUR 137.3 million). Adjusted for currency effects, this corresponds to a drop of 41.1 percent.

Compact equipment revenue trends
The compact equipment business segment covers compact machinery weighing up to 15 tons targeted at the construction and agricultural industries, gardening, landscaping and industrial firms as well as recycling companies and municipal bodies. The portfolio includes excavators, wheel loaders, tele wheel loaders, skid steer loaders and telescopic handlers, as well as wheel and track dumpers and backhoe loaders. Financing options are becoming increasingly important for customers in the compact equipment segment. The Wacker Neuson Group is continually extending its international reach and is collaborating with strong, independent financing partners.

Revenue[5] for the compact equipment segment for the first half of the year decreased 18.2 percent to EUR 439.9 million as a result of a drop in demand for new equipment caused by the coronavirus (H1/2019: EUR 537.9 million). Adjusted for currency effects, revenue fell 18.2 percent. Following growth in the services segment, compact equipment's share of total revenue[5] for the period under review decreased to 54.7 percent (H1/2019: 55.9 percent).

[1] Q2/20 revenue for China around 8 percent above the previous year.
[2] Q1/20 revenue for China around 70 percent below the previous year.
[3] H1/20 revenue for Australia/New Zealand around 14 percent below the previous year.
[4] Before consolidation.
[5] Before cash discounts.

REVENUE BY BUSINESS SEGMENT
IN € MILLION

	Q2/2020	Q2/2019	Change	H1/2020	H1/2019	Change
Segment revenue from external customers						
Light equipment	80.0	137.3	-41.7%	176.2	247.1	-28.7%
Compact equipment	212.5	292.1	-27.3%	439.9	537.9	-18.2%
Services	97.0	94.3	2.9%	187.4	177.4	5.6%
	389.5	**523.7**	**-25.6%**	**803.5**	**962.4**	**-16.5%**
Less cash discounts	-3.6	-6.5	-44.6%	-6.8	-9.8	-30.6%
Total	**385.9**	**517.2**	**-25.4%**	**796.7**	**952.6**	**-16.4%**

Segment revenue[1] for the second quarter of 2020 fell 27.3 percent relative to the previous year to reach EUR 212.5 million (Q2/2019: EUR 292.1 million). Adjusted for currency effects, this is a drop of 27.1 percent.

Despite the Covid-19 pandemic, revenue[1] generated by agricultural equipment rose slightly by 0.9 percent to reach EUR 153.4 million in the first half of 2020 (H1/2019: EUR 152.0 million). This was primarily fueled by strong results in the first quarter. Agricultural compact equipment's share of total Group revenue thus amounted to 19.1 percent (H1/2019: 15.8 percent). Revenue for the second quarter decreased 15.7 percent to EUR 65.7 million (Q2/2019: EUR 77.9 million).

Revenue trends in the services segment
Being close to customers with a comprehensive, personalized services and support offering is increasingly important for Wacker Neuson. The Group complements new equipment sales with an extensive range of services to support its products. These comprise the business fields of repair and spare parts, used equipment, financing, telematics and flexible rental solutions in selected European markets.

Due to interruptions in construction site activity and existing uncertainties attributable to the Covid-19 pandemic, demand from customers for solutions and services such as maintenance and repairs rose during the first half of the year as customers postponed investments in new machines. Revenue from selling off the Group's internal rental equipment was significantly higher than in the previous year.

Revenue[1] from the services segment in the first half of 2020 rose by 5.6 percent to EUR 187.4 million (H1/2019: EUR 177.4 million). Adjusted for currency effects, revenue was up 5.1 percent. The services segment's share of total revenue[1] climbed to 23.3 percent (H1/2019: EUR 18.4 percent).

Segment revenue[1] in the second quarter rose 2.9 percent relative to the previous year to reach EUR 97.0 million (Q2/2019: EUR 94.3 million). Adjusted for currency effects, this is an increase of 2.4 percent.

Other factors that impacted on results

Headcount trends
In the first six months of 2020, headcount decreased 9.1 percent relative to the figure at the end of 2019 to reach 5,502 (December 31, 2019: 6,056 employees). Compared with June 30, 2019, this corresponds to a decrease of 14.3 percent (June 30, 2019: 6,417 employees). Fewer people were employed in particular in the areas of production, sales and administration at the close of the first half of the year. Around half of the drop in headcount relative to previous year affected temporary workers employed by the Group (June 30, 2020: 357; June 30, 2019: 849; December 31, 2019: 402).[2]

Following the temporary closure of the US production plant due to the effects of the Covid-19 pandemic, 262 employees at the site were on unpaid leave at the interim reporting date. These employees are not included in the headcount figures listed above. The Group expects a significant number of these individuals to be active in the Group again in the third quarter. The number of employees in North America had already been reduced before the outbreak of the Covid-19 pandemic as part of the Group's program to reduce costs and increase efficiency.

Extending the transition periods for the EU Stage V emissions standard
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.

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. An 18-month transition period during which equipment manufacturers are permitted to fit machines with EU Stage IV engines and a 24-month transition period during which these machines can be placed on the market were approved for both power categories and have been in place since the respective dates on which the standard came into force. In order to avail of these transition periods, the Wacker Neuson Group built up an appropriate stock of pre-buy engines. The deadline for fitting these engines for the power class <56 kW and ≥130 kW was originally set to expire on June 30, 2020. The deadline for marketing these machines was set at December 31, 2020. In light of the effects of the Covid-19 pandemic on global supply chains, the European Parliament decided in July 2020 to extend these deadlines by 12 months in response to pressure from numerous stakeholder groups.

The Wacker Neuson Group already significantly reduced its stock of pre-buy engines in recent quarters. At June 30, 2020, this accounted for around EUR 8.6 million.

[1] Before cash discounts.

[2] Headcount figures do not reflect the actual number of people employed. They are calculated by converting the number of jobs, including temporary positions, within the Group into full-time equivalents.

Changes to the opportunity and risk situation

Compared with the opportunities and risks outlined in the 2019 Annual Report, risk exposure has increased considerably during the period under review. This rise stems primarily from greater risks associated with the Covid-19 pandemic. Overall, risk exposure at the interim reporting date was 186 percent higher than the figure at the end of the year. Adjusted to discount Covid-19 risks, the Group's risk exposure has increased by 20 percent. Significant changes have occurred in the following risk categories compared with the situation at the close of 2019:

- Operational risks +656%
- Financial risks +27%
- Personnel risks -1%

Operational risks
The risk of significant economic downturns and a subsequent drop in sales in the Wacker Neuson Group's core markets has increased very sharply during the period under review. As a result of this, cost-of-production risks linked to capacity utilization at production sites and production risks related to interruptions in global supply chains have also increased. The Group faces a further risk regarding the amount of additional one-off expenses related to its program to reduce costs and increase efficiency, which was approved in January 2020.

Financial risks
The risk of individual customers potentially defaulting on payment, partly as a result of liquidity shortages related to coronavirus disruptions, has increased during the period under review. The operating affiliates have made appropriate risk provisions. The risk of write-downs on deferred taxes has also increased. The risk of committed capital due to higher inventory mentioned in the 2019 Annual Report no longer applies.

Personnel risks
Personnel risks mainly relate to the temporary, short-notice closure of production facilities or sales and service stations due to suspected and/or confirmed cases of employees being infected with the coronavirus. The risk associated with changes to employment contracts listed in the 2019 Annual Report is significantly lower.

Other risks to which there were no substantial changes during the period under review are described in the 2019 Annual Report on pages 58 to 63. Company management is not currently aware of any other significant risks to the Group. Based on estimates made by the company, the anticipated damages resulting from the Group-wide sales risk described above significantly exceed ten percent of Group EBIT (Group EBIT 2019: EUR 153.1 million). The risk exposure is therefore classified as "very high" according to the definitions of the internal control and risk management system (see page 60 of the 2019 Annual Report).

Business opportunities are described on page 63 of the 2019 Annual Report and in the Outlook section of this interim management report.

Outlook

Revenue in the construction equipment market impacted heavily by the coronavirus pandemic in the first half of the year; potential for recovery in the second half of the year

According to information released by the Committee for European Construction Equipment (CECE), the industry regards the drop in revenue across the European market in Q1 2020 as merely the starting point of a significant downturn, whereby the impact of the coronavirus crisis is estimated to have been evident to the full extent in the second quarter. The business barometer published by the CECE[1] reached an all-time low in April and May, although the mood improved considerably in June. However, most manufacturers do not believe that the market will bounce back quickly – either at European or international level. 65 percent of manufacturers surveyed expect to see revenue fall by between 10 and 30 percent in 2020 as a result of coronavirus disruptions, especially as the sector was already experiencing a cyclical decline following a prolonged period of positive momentum in recent years. Manufacturers were already expecting demand to contract before the current crisis hit, particularly in high-volume markets that had reached a saturation point. According to information published by the CECE,[2] however, economic recovery packages initiated by governments could help the industry recover in the second half of the year. The downtime index[3] created by a telematics provider, which uses telematics data to map global construction equipment activity, is also showing signs of recovery in the industry. After reaching its low point at the start of April, the index has indicated a steady rise in activity.

The VDMA[4] also believes that the sector could start to recover in the second half of the year, fueled by government stimulation programs and an uptick in demand caused by the further relaxation of protective measures. For the year as a whole, however, the association expects the global market to contract by 15 to 25 percent. For Europe, the VDMA predicts a downturn of 20 to 30 percent while German manufacturers are expected to see volumes decline by 7 to 30 percent. The market research institute Off-Highway Research estimates that demand for construction equipment in North America will fall by around 30 percent in 2020. However, it also predicts relatively strong growth of 14 percent for the region in 2021. For China, Off-Highway Research[5] predicts a drop of 8 percent for 2020, due to the coronavirus occurring earlier in the year. In addition to this, the Chinese government remains committed to its original economic goals for 2020 and has announced extensive investments.

High levels of uncertainty in the European agricultural technology sector

In April, the CEMA business barometer[6] reached its lowest point since the 2008/09 financial crisis. After this, however, the mood across the European agricultural technology sector improved markedly in May and June. In May, 75 percent of industry representatives expected revenue to fall over the coming six months. By June, this number had fallen to 56 percent. For the year as a whole, the industry expects revenue to contract by up to 10 percent. According to data published by CEMA, order volumes are still at a good level due to high levels of order intake before the coronavirus crisis. After seeing a drop in order intake in April and May, however, industry representatives fear that orders will continue to drop over the coming six months. According to the June edition of the business barometer published by the German Farmers' Association,[7] a tightening of the fertilizer ordinance is further dampening the mood among agricultural landholders alongside the effects of the Covid-19 pandemic. Despite this, planned investments in machines and equipment made by agricultural landholders are slightly higher than the prior-year level.

Guidance for the full year 2020

On April 21, the Executive Board of Wacker Neuson SE withdrew its guidance for fiscal 2020 in response to the Covid-19 pandemic, the associated protective measures and the high levels of uncertainty regarding future business development.

As it is impossible to predict the effects on the global economy as well as on Wacker Neuson Group's sales markets and supply chains, it is still not feasible to formulate reliable, concrete new guidance. The Executive Board expects, however, that revenue and EBIT margin for 2020 as a whole will be considerably lower than the previous year (revenue 2019: EUR 1,901.1 million; EBIT margin 2019: 8.1 percent).

The Executive Board is managing the current situation by implementing numerous measures to secure liquidity and intensifying its cost reduction and efficiency enhancement program, which it initiated before the outbreak of the coronavirus crisis. In light of the current demand situation, the Group's production facilities are also still running at reduced capacity. Several production companies in Europe are still deploying short-time work models while production in the US will remain largely shut down likely until the end of August. Order backlog at June 30 was around 50 percent down on the high figure from the previous year.

The Group expects that business in the Americas will again be hardest hit by the pandemic in the second half of the year. The drop in revenue here is estimated to be significantly more pronounced than in Europe and Asia-Pacific. In terms of business segments, the Group expects its services segment to follow the most stable trajectory. It anticipates that the compact equipment segment will continue to benefit from comparatively robust demand in the agricultural sector during the second half of the year. This should help soften the impact of widespread caution expected across the construction industry. The Group projects the biggest drop in revenue for the light equipment segment as this accounts for a comparatively high share of revenue in the Americas.

Given the current high levels of uncertainty, the Group is re-evaluating all planned investments and – wherever possible and advisable – aims to postpone these in order to further secure liquidity. The Executive Board now expects investments in tangible and intangible assets originally planned at between EUR 80 and 100 million to amount to around EUR 80 million in fiscal 2020 (2019: EUR 89.2 million). With regard to the Group's investments to expand both of its German production facilities in Korbach and Pfullendorf, construction work at these two sites, which had started before the Covid-19 pandemic, will continue for economic reasons.

The Group remains committed to reducing net working capital. In light of the high degree of uncertainty surrounding the development of revenue in the second half of the year, it is currently not possible to make a concrete forecast for net working capital expressed as a percentage of revenue. The Executive Board expects, however, that the absolute value for net working capital at the end of 2020 will be considerably lower than the prior-year figure (December 31, 2019: EUR 811.7 million). The development of inventory levels will play a decisive role here. Despite the challenging demand situation, the Group aims to achieve a significant reduction.

[1] Source: Committee For European Construction Equipment, April, May, June 2020, CECE Business Barometer
[2] Source: Committee For European Construction Equipment, May 2020, Quarterly Economic Bulletin, Brussels
[3] Source: Trackunit, June 2020, Downtime Index
[4] Source: VDMA, June 2020, Economic Situation, Construction Equipment and Building Material Machinery, Frankfurt
[5] Source: Off-Highway Research, June 2020, Global Construction Equipment Markets, Southfields
[6] Source: CEMA, Business Barometer April, May, June 2020
[7] Source: German Farmers' Association, June 2020, business barometer for the agricultural sector

With positive free cash flow for the first half of the year, plans to further reduce inventory, a stringent investment policy and strict cost control measures in place, the Group will continue to have sufficient liquid funds at its disposal in the second half of the year. In light of the exceptionally high levels of uncertainty related to the further development of the coronavirus crisis, however, the Executive Board plans to increase its liquidity reserves by a further EUR 50 million through the placement of a promissory note (Schuldschein) in August.

Outlook for 2021

Formulating an outlook for 2021 is extremely difficult based on the information currently available. Assuming the second half of the year is not characterized by a new wave of infections, widespread shutdowns and massive disruptions to global supply chains, and that the general situation stabilizes and improves towards the end of the year and throughout 2021, the Group expects to once again report a rise in revenue together with increased profitability for fiscal 2021.

Munich, July 30, 2020

Wacker Neuson SE, Munich

The Executive Board

Martin Lehner
CEO

Alexander Greschner CSO	Wilfried Trepels CFO

Consolidated Income Statement

JANUARY 1 THROUGH JUNE 30

IN € MILLION

	Apr. 1 – Jun. 30, 2020	Apr. 1 – Jun. 30, 2019 adjusted	Jan. 1 – Jun. 30, 2020	Jan. 1 – Jun. 30, 2019 adjusted
Revenue	385.9	517.2	796.7	952.6
Cost of sales	-290.1	-380.1	-591.8	-703.8
Gross profit	**95.8**	**137.1**	**204.9**	**248.8**
Sales and service expenses	-46.1	-57.0	-101.5	-110.8
Research and development expenses	-6.8	-9.7	-16.3	-19.4
General administrative expenses	-14.9	-19.4	-32.6	-38.8
Other income	3.7	4.7	6.5	7.1
Other expenses	-10.2	-0.5	-10.6	-0.7
Profit before interest and tax (EBIT)	**21.5**	**55.2**	**50.4**	**86.2**
Financial income	-0.9	4.0	7.0	4.3
Financial expenses	-0.7	-9.3	-20.8	-10.7
Profit before tax (EBT)	**19.9**	**49.9**	**36.6**	**79.8**
Taxes on income	-7.6	-16.3	-13.9	-25.4
Profit for the period	**12.3**	**33.6**	**22.7**	**54.4**
Of which are attributable to:				
Shareholders in the parent company	12.3	33.6	22.7	54.4
Minority interests	–	–	–	–
	12.3	33.6	22.7	54.4
Earnings per share in € (diluted and undiluted)	**0.18**	**0.48**	**0.32**	**0.78**

As of the end of fiscal 2019, 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. Information on this is available on page 86 of the Annual Report 2019. Prior-year figures have been adjusted accordingly. Also refer to "Changes to accounting and valuation methods, adjustments to accounting estimates and error corrections" in the Notes of this Interim Report.

Consolidated Statement of Comprehensive Income

JANUARY 1 THROUGH JUNE 30

IN € MILLION	Apr. 1 – Jun. 30, 2020	Apr. 1 – Jun. 30, 2019	Jan. 1 – Jun. 30, 2020	Jan. 1 – Jun. 30, 2019
Profit for the period	**12.3**	**33.6**	**22.7**	**54.4**
Other income				
Income to be recognized in the income statement for subsequent periods				
Exchange differences	-3.8	-3.2	-1.0	1.9
Cash flow hedges	-0.6	-2.0	-0.7	-1.2
Effect of taxes on income	0.1	0.3	0.2	0.3
Income to be recognized in the income statement for subsequent periods	**-4.3**	**-4.9**	**-1.5**	**1.0**
Income not to be recognized in the income statement for subsequent periods				
Actuarial gains/losses from pension obligations	-2.6	-7.6	0.2	-11.2
Effect of taxes on income	0.8	2.1	-0.1	3.1
Financial assets measured at fair value through other comprehensive income	-4.5	-0.5	-4.5	-0.5
Income not to be recognized in the income statement for subsequent periods	**-6.3**	**-6.0**	**-4.4**	**-8.6**
Other comprehensive income after tax	**-10.6**	**-10.9**	**-5.9**	**-7.6**
Total comprehensive income after tax	**1.7**	**22.7**	**16.8**	**46.8**
Of which are attributable to:				
Shareholders in the parent company	1.7	22.7	16.8	46.8
Minority interests	–	–	–	–
	1.7	**22.7**	**16.8**	**46.8**

Consolidated Balance Sheet

AS AT JUNE 30

IN € MILLION

	Jun. 30, 2020	Dec. 31, 2019 adjusted	Jun. 30, 2019 adjusted
Assets			
Property, plant and equipment	398.2	400.3	375.6
Property held as financial investment	25.1	25.3	25.6
Goodwill	228.5	237.8	237.9
Other intangible assets	175.9	165.9	150.3
Investments	7.0	11.5	11.3
Deferred tax assets	41.3	38.3	47.7
Other non-current financial assets	125.7	94.9	84.6
Other non-current non-financial assets	0.1	0.1	0.2
Total non-current assets	**1,001.8**	**974.1**	**933.2**
Rental equipment	173.0	166.1	174.7
Inventories	544.3	602.5	644.5
Trade receivables	320.3	359.1	412.6
Tax offsets	12.4	4.3	1.1
Other current financial assets	25.3	23.6	18.3
Other current non-financial assets	21.9	19.7	24.5
Cash and cash equivalents	163.2	46.3	50.9
Non-current assets held for sale	0.4	0.9	2.8
Total current assets	**1,260.8**	**1,222.5**	**1,329.4**
Total assets	**2,262.6**	**2,196.6**	**2,262.6**
Equity and liabilities			
Subscribed capital	70.1	70.1	70.1
Other reserves	577.3	583.2	579.9
Net profit/loss	594.4	571.7	537.6
Equity attributable to shareholders in the parent company	**1,241.8**	**1,225.0**	**1,187.6**
Minority interests	**–**	**–**	**–**
Total equity	**1,241.8**	**1,225.0**	**1,187.6**
Long-term financial borrowings	371.1	372.4	364.1
Long-term lease liabilities	64.3	66.9	62.1
Deferred tax liabilities	40.5	36.8	35.3
Provisions for pensions and similar obligations	61.0	61.8	63.2
Long-term provisions	8.6	7.9	6.6
Long-term contract liabilities	4.8	3.9	2.8
Total non-current liabilities	**550.3**	**549.7**	**534.1**
Trade payables	121.6	149.9	198.7
Short-term liabilities to financial institutions	154.6	112.4	168.3
Current portion of long-term borrowings	0.6	0.5	2.8
Short-term lease liabilities	26.1	25.2	26.3
Short-term provisions	16.4	17.6	17.2
Short-term contract liabilities	4.2	5.5	4.7
Tax liabilities	33.2	19.0	27.9
Other current financial liabilities	35.6	41.7	38.0
Other current non-financial liabilities	78.2	50.1	57.0
Total current liabilities	**470.5**	**421.9**	**540.9**
Total liabilities	**2,262.6**	**2,196.6**	**2,262.6**

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, as well as new lines for shareholdings, contract liabilities and income tax liabilities. Further information on this is available on page 86ff of the Annual Report 2019. Reference-year figures have been adjusted accordingly. Also refer to "Changes to accounting and valuation methods, adjustments to accounting estimates and error corrections" in the Notes of this Interim Report.

Consolidated Statement of Changes in Equity

AS AT JUNE 30

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 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	–	–	–	–	54.4	54.4	–	54.4
Other income	–	–	1.9	-9.5	–	-7.6	–	-7.6
Total comprehensive income	**–**	**–**	**1.9**	**-9.5**	**54.4**	**46.8**	**–**	**46.8**
Dividends	–	–	–	–	-77.2	-77.2	–	-77.2
Balance at June 30, 2019	**70.1**	**618.7**	**-9.7**	**-29.1**	**537.6**	**1,187.6**	**–**	**1,187.6**
Balance at January 1, 2020	**70.1**	**618.7**	**-5.8**	**-29.7**	**571.7**	**1,225.0**	**–**	**1,225.0**
Profit for the period	–	–	–	–	22.7	22.7	–	22.7
Other income	–	–	-1.0	-4.9	–	-5.9	–	-5.9
Total comprehensive income	**–**	**–**	**-1.0**	**-4.9**	**22.7**	**16.8**	**–**	**16.8**
Dividends	–	–	–	–	–	–	–	–
Balance at June 30, 2020	**70.1**	**618.7**	**-6.8**	**-34.6**	**594.4**	**1,241.8**	**–**	**1,241.8**

Consolidated Cash Flow Statement

JANUARY 1 THROUGH JUNE 30

IN € MILLION

	Apr. 1 – Jun. 30, 2020	Apr. 1 – Jun. 30, 2019 adjusted	Jan. 1 – Jun. 30, 2020	Jan. 1 – Jun. 30, 2019 adjusted
EBT	**19.9**	**49.9**	**36.6**	**79.8**
Adjustments to reconcile profit before tax with gross cash flows:				
Depreciation and amortization of non-current assets	26.7	16.2	43.6	31.0
Unrealized foreign exchange gains/losses	-2.5	0.5	2.8	-4.9
Financial result	1.6	5.3	13.8	6.4
Gains from the sale of intangible assets and property, plant and equipment	-1.2	-0.1	-1.1	-0.1
Changes in rental equipment, net	-3.2	-22.2	-6.9	-24.4
Changes in misc. assets	-2.8	2.6	-36.7	-7.9
Changes in provisions	-0.1	0.9	-1.1	1.7
Changes in misc. liabilities	22.3	2.4	22.9	11.4
Gross cash flow	**60.7**	**55.5**	**73.9**	**93.0**
Changes in inventories	77.2	-15.0	52.3	-88.5
Changes in trade receivables	23.3	-44.3	34.0	-107.4
Changes in trade payables	-66.5	-8.8	-28.2	-14.5
Changes in net working capital	**34.0**	**-68.1**	**58.1**	**-210.4**
Cash flow from operating activities before income tax paid	**94.7**	**-12.6**	**132.0**	**-117.4**
Income tax paid	7.7	-15.6	-7.2	-25.6
Cash flow from operating activities	**102.4**	**-28.2**	**124.8**	**-143.0**
Purchase of property, plant and equipment	-8.5	-7.3	-16.2	-18.6
Purchase of intangible assets	-9.3	-7.6	-19.9	-15.1
Purchase of investments	–	–	–	-8.8
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	4.0	0.9	4.2	1.0
Cash flow from investment activities	**-13.8**	**-14.0**	**-31.9**	**-41.5**
Free cash flow	**88.6**	**-42.2**	**92.9**	**-184.5**
Dividends	–	-77.2	–	-77.2
Cash receipts from short-term borrowings	-1.6	3.6	63.4	165.6
Repayments from short-term borrowings	1.9	0.4	-20.1	-31.2
Cash receipts from long-term borrowings	–	150.0	–	150.0
Repayments from lease liabilities	-5.7	-10.3	-11.6	-10.3
Interest paid	-4.0	-2.4	-7.6	-6.5
Interest received	0.3	1.0	0.7	1.1
Cash flow from financial activities	**-9.1**	**70.2**	**24.8**	**191.5**
Change in cash and cash equivalents before effect of exchange rates	**79.5**	**28.0**	**117.7**	**7.0**
Effect of exchange rates on cash and cash equivalents	-0.3	-0.3	-0.8	0.1
Change in cash and cash equivalents	**79.2**	**27.7**	**116.9**	**7.1**
Cash and cash equivalents at the beginning of the period	**84.0**	**23.2**	**46.3**	**43.8**
Cash and cash equivalents at the end of period	**163.2**	**50.9**	**163.2**	**50.9**

As of the end of fiscal 2019, 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. Information on this is available on page 86 of the Annual Report 2019. Prior-year figures have been adjusted accordingly. Also refer to “Changes to accounting and valuation methods, adjustments to accounting estimates and error corrections” in the Notes of this Interim Report.

Consolidated Segmentation

JANUARY 1 THROUGH JUNE 30

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

SEGMENTATION (GEOGRAPHICAL SEGMENTS)

IN € MILLION

	Europe	Americas	Asia-Pacific	Consolida-tion	Group
H1/2020					
Segment revenue					
Total revenue	1,025.4	210.0	28.6		1,264.0
Less intrasegment sales	-335.4	-61.1	-3.9		-400.4
	690.0	148.9	24.7		863.6
Intersegment sales	-58.6	-5.5	-2.8		-66.9
Revenue from external customers	**631.4**	**143.4**	**21.9**		**796.7**
EBIT	**81.3**	**-21.2**	**-2.8**	**-6.9**	**50.4**

	Europe	Americas	Asia-Pacific	Consolida-tion	Group
H1/2019 adjusted					
Segment revenue					
Total revenue	1,215.2	354.5	35.9		1,605.6
Less intrasegment sales	-439.8	-111.2	-3.3		-554.3
	775.4	243.3	32.6		1,051.3
Intersegment sales	-82.9	-12.1	-3.7		-98.7
Revenue from external customers	**692.5**	**231.2**	**28.9**		**952.6**
EBIT	**104.0**	**7.5**	**-1.1**	**-24.2**	**86.2**

As of the end of fiscal 2019, 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. Information on this is available on page 86 of the Annual Report 2019. Prior-year figures have been adjusted accordingly. Also refer to "Changes to accounting and valuation methods, adjustments to accounting estimates and error corrections" in the Notes to this Interim Report.

The consolidation effect reported and not allocated to the segments largely concerns the elimination of interim profit on inventories, as well as rental equipment. The difference relative to the previous year is mainly a result of increased inventory levels and changes to intercompany margins.

SEGMENTATION (BUSINESS SEGMENTS)

IN € MILLION

	H1/2020	H1/2019 adjusted
Segment revenue from external customers		
Light equipment	176.2	247.1
Compact equipment	439.9	537.9
Services	187.4	177.4
	803.5	962.4
Less cash discounts	-6.8	-9.8
Total	**796.7**	**952.6**

Geographical areas

REVENUE ACCORDING TO COMPANY LOCATION

IN € MILLION

	H1/2020	H1/2019 adjusted
Germany	371.4	377.5
USA	102.8	175.5
Austria	51.3	66.8
Other	271.2	332.8
Wacker Neuson overall	**796.7**	**952.6**

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

	H1/2020	H1/2019 adjusted
Germany	340.5	291.4
Austria	359.8	350.7
USA	53.2	64.3
Other	74.3	83.2
Wacker Neuson overall	**827.8**	**789.6**

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.

Selected Explanatory Notes to the Condensed Interim Financial Statements for H1 2020

Accounting principles

The condensed Wacker Neuson SE consolidated interim financial statements to June 30, 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations as valid on January 1, 2020 and adopted in the EU. These condensed statements adhere to International Accounting Standard (IAS) 34.

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

As an information instrument, this interim report builds on the Consolidated Financial Statements. We therefore refer to the notes to the consolidated statements of December 31, 2019. The comments there also apply to the quarterly and half-year statements for fiscal 2020, unless explicitly stated otherwise.

The general accounting principles, valuation methods and estimates used for the fiscal 2019 consolidated statements have also been applied to these interim financial statements, with the exception of adjustments to prior-year values as a result of the accounting principles and valuation methods used as at June 30, 2019 and a change in estimates related to the evaluation of spare parts inventories as at June 30, 2020.

The condensed Consolidated Financial Statements were approved for publication by way of a resolution passed by the Executive Board on July 30, 2020.

Going concern

Looking to the future, the Group has identified increased levels of uncertainty and greater market volatility following the outbreak of the Covid-19 pandemic. It remains difficult to judge how effective government-backed measures will be in containing the further spread of the virus. If the pandemic continues for an extended period of time, these initiatives could impact the financial performance of the company. Measures have been implemented to minimize the effects of the pandemic and enable the Group to continue its business activities.

The Group was able to mitigate some of the negative effects on earnings by rapidly implementing measures in response to the sharp drop in demand. These included bringing forward vacation periods and implementing a range of short-time work models. In addition to this, the Group began to see the initial positive effects of more favorable procurement prices, which it managed to secure as part of its program to reduce costs and increase efficiency levels. Due to continued high levels of uncertainty related to the Covid-19 pandemic, all planned investments have been re-evaluated and postponed – wherever possible and reasonable – to further secure the Group's liquidity.

The Group increased its liquid funds by drawing on credit lines approved at short notice. This precautionary step was taken to further bolster liquidity reserves in response to the uncertainties related to the Covid-19 pandemic. Suspending the dividend for fiscal 2019 also had a positive effect relative to the previous year.

The Group has sufficient cash on hand and sufficient headroom with its credit facilities. The Covid-19 situation is continually changing and thus continues to be characterized by uncertainty, making it impossible for the Group to reliably estimate the impacts it will have in future. However, the Group's financial situation is healthy. For this reason and based on current levels of cash on hand and expected annual cash outflows, the Group expects to be able to meet its financial obligations. It therefore continues to view itself as a going concern and uses this as the underlying assumption in the preparation of its condensed interim consolidated financial statements.

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

The following standards, amendments to standards and interpretations are mandatory as of January 1, 2020.

Name	Description	Mandatory as of[1]
EU endorsement granted by date of approval for publication		
IFRS 3	Amendments to IFRS 3: Definition of a business	Jan. 1, 2020
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8: Definition of materiality	Jan. 1, 2020
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 9 and IAS 39 and IFRS 7: Potential effects of the IBOR reform on financial reporting	Jan. 1, 2020
Conceptual framework	Amendments to the conceptual framework for the preparation and disclosure of financial statements	Jan. 1, 2020

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

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

IFRS 3 (definition of a business)

The amendments to IFRS 3 are intended to provide clearer application guidance regarding the definition of a business and resolve any discrepancies that arise when an entity has to determine whether it has acquired a business or a group of assets.

The amendment narrows the definition of a business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or creating other income from ordinary activities. A business must comprise resource inputs and substantive processes that together contribute to the ability to create outputs. The new regulations also include an optional "concentration test" that makes it easier to conclude whether a company has acquired a business. The initial application of these amendments did not have a material impact on the accounting and valuation methods used by the Group.

IAS 1 and IAS 8 (definition of materiality)
The amendments to IAS 1 and IAS 8 clarify the definition of the term "material" within IFRS. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that "obscuring information" refers to situations where the inclusion of immaterial information could have a similar effect to omitting or misstating the information. It also states that a company must assess whether or not information is material in the context of the financial statements as a whole.

Furthermore, the amendments clarify the meaning of "primary users of general-purpose financial statements" by defining these as "existing and potential investors, lenders and other creditors" who rely on the information provided in financial results for the majority of the financial information they need. The initial application has not had any impact on the Group.

IFRS 9, IAS 39 and IFRS 7 (IBOR reform)
The Group applied 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 the Notes to the Consolidated Financial Statement in the 2019 Annual Report. In addition, further discussions are being held according to IASB about the possible addition of further amendments that could have an impact on the Consolidated Financial Statements.

Amendments to the conceptual framework for the preparation and disclosure of financial statements
The conceptual framework is not an IFRS standard and does not invalidate any standard rules. However, the revised conceptual framework will be applied during the development of new standards and interpretations in future. It contains several new concepts and provides updated definitions and criteria for treating assets and liabilities. No technical amendments will currently be made to existing IFRS standards. The conceptual framework also helps preparers of financial statements to develop accounting methods to handle issues for which no IFRS standards currently exist.

Standards and interpretations that have been published but not yet applied

The following accounting standards have been published but have not yet come into force, which is why there is no obligation to apply them yet. Should these accounting standards be endorsed by the European Union, it would, at the company's discretion, be generally possible to adopt them at an earlier date. At present, the Group aims to apply these standards as of the date on which they come into force.

Name	Description	Mandatory as of[1]
EU endorsement outstanding		
IFRS 16	Amendments to IFRS 16: Covid-19-related rent concessions	June 1, 2020
IFRS 17	Insurance contracts	Jan. 1, 2021
IAS 1	Amendments to IAS 1: Classification of liabilities as current or non-current (issued on January 23, 2020)	Jan. 1, 2023

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

As a result of the coronavirus (Covid-19) pandemic, different types of rent concessions have been granted to lessees. On May 28, 2020, the International Accounting Standards Board (IASB) issued an amendment to IFRS 16 that provides lessees with an optional exemption from assessing whether a Covid-19-related rent concession is a lease modification in line with IFRS 16. Instead, lessees can choose to account for these rent concessions as if the change were not a lease modification. In many cases, this will result in the rent concession being accounted for as a variable lease payment in the periods in which the event or condition that triggered the lower payment occurred.

The exemption only applies to rent concessions if they are a direct consequence of the Covid-19 pandemic and meet the following conditions:

- the change in lease payments results in a revised consideration for the lease that is substantially the same or less than the consideration for the lease immediately before the change;
- every reduction in lease payments relates exclusively to payments that were due on or before June 30, 2021; and
- no other substantive changes have been made to the other terms of the lease.

Lessees applying the practical expedient are required to disclose that fact and the amounts recognized in profit or loss resulting from the Covid-19-related rent concessions in the notes to the financial statements. Lessees who choose to apply this practical expedient must apply it uniformly to all leases with similar characteristics and under similar circumstances. Lessees are required to apply the exemption retrospectively in accordance with IAS 8, but are not required to restate prior period figures.

On January 23, 2020, the International Accounting Standards Board (IASB) issued a detailed amendment to IAS 1, clarifying that the classification of liabilities as current or non-current should be based on the rights that an entity has at the end of a reporting period.

Liabilities are classified as non-current if the entity has a substantive right at the end of the reporting period to defer settlement of a liability for at least twelve months after the balance sheet date. Classification is no longer based on unconditional rights since loans are rarely unconditional. The assessment determines whether a substantive right exists, but it does not consider whether the entity will exercise the right. As such, management's intentions in this matter do not affect classification.

Liabilities are classified as non-current if the entity has a substantive right at the end of the reporting period to defer settlement of a liability for at least twelve months after the balance sheet date. The amendment no longer refers to unconditional rights since loans are rarely unconditional. The assessment determines whether a substantive right exists, but it does not consider whether the entity will exercise the right. As such, management's expectations do not affect classification. The right to defer only exists if the entity complies with any relevant conditions at the reporting date. A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

"Settlement" of liability is defined as the extinguishment of a liability with cash, other economic resources or an entity's own equity instruments. There is an exception for convertible instruments that include conditions enabling the counterparty to demand settlement with equity instruments. The exception states that these conditions do not affect whether the liability is classified as current or non-current provided the option is classified separately as an equity component of a compound financial instrument in accordance with IAS 32.

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

Changes to accounting and valuation methods, adjustments to accounting estimates and error corrections

The general accounting principles, valuation methods and estimates used for the 2019 Annual Report have also been applied to these interim financial statements, with the exception of adjustments to prior-year values as a result of the accounting principles and valuation methods used in fiscal 2019 as well as the correction of an error related to the calculation of tax expenditure for the interim financial statements.

New balance sheet item: Investments
(See also page 86 ff. in the 2019 Annual Report)
In 2019, the Group acquired an EUR 8.9 million minority shareholding in a company. The purpose of this was to reinforce its US sales network. In addition, the Group still holds shares in an unlisted company in the amount of EUR 2.6 million. These were acquired in 2018. The purpose of this company is to invest in innovative start-ups. In order to improve transparency and readability, a new balance sheet item "Investments" was added relative to the first half of 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 BALANCE SHEET –
ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY
IN € MILLION

	June 30, 2019 adjusted	Change	June 30, 2019
Investments	11.3	11.3	0.0
Other non-current financial assets	84.6	-11.3	95.9

New balance sheet items: Current contract liabilities and Non-current contract liabilities
(See also page 86 ff. in the 2019 Annual Report)
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. Since fiscal 2019, the Group has been increasingly promoting these types of business models in order to actively build customer loyalty. As a result of increasing materiality, a separate balance sheet item "Contract liabilities" was added in fiscal 2019 for contract liabilities from such business agreements. In fiscal 2020, the balance sheet item "Contract liabilities" was divided into two separate balance sheet items for current and non-current contract liabilities. 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 BALANCE SHEET –
ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY
IN € MILLION

	Dec. 31, 2019 adjusted	Change	Dec. 31, 2019
Non-current contract liabilities	3.9	3.9	0.0
Current contract liabilities	5.5	5.5	0.0
Contract liabilities	0.0	-9.4	9.4

CONSOLIDATED BALANCE SHEET –
ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY
IN € MILLION

	30.6.2019 angepasst	Change	30.6.2019
Non-current contract liabilities	2.8	2.8	0.0
Current contract liabilities	4.7	4.7	0.0
Other current non-financial liabilities	82.8	-7.5	90.3

New balance sheet item: Income tax liabilities
(See also page 86 ff. in the 2019 Annual Report)
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 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

	June 30, 2019 adjusted	Change	June 30, 2019
Income tax liabilities	27.9	27.9	0.0
Tax liabilities	0.0	-1.7	1.7
Other current non-financial liabilities	64.1	-26.2	90.3

Q1/2020 – Adjustment to tax expenditure
In the quarterly report for Q1 2020, tax effects at the closing date were reported in full for the current reporting period. According to IAS 34, a weighted average annual income tax rate must be recognized in the interim financial statements in order to spread the effects of one-off items over the fiscal year as a whole. Based on its current projected calculations for expected tax expenditure, the Group has calculated a weighted average tax rate of around 38 percent for fiscal 2020. This refers to the restatement of an error within the scope of IAS 8, so the figures for Q1 2020 were adjusted accordingly.

**CONSOLIDATED BALANCE SHEET –
ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY**

IN € MILLION

	March 31, 2020 adjusted	Change	March 31, 2020
Deferred tax assets	45.9	4.5	41.4
Net profit/loss	582.1	4.5	577.6

**CONSOLIDATED INCOME STATEMENT –
ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY**

IN € MILLION

	March 31, 2020 adjusted	Change	March 31, 2020
Taxes on income	-6.3	4.5	-10.8
Profit for the period	10.4	4.5	5.9

**Disclosure of income from customer financing
(See also page 86 ff. in the 2019 Annual Report)**

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. It led to a retroactive increase in revenue for the first half of 2019 in the amount of EUR 1.9 million. 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

	June 30, 2019 adjusted	Change	June 30, 2019
Revenue	952.6	1.9	950.7
Other income	7.1	-0.2	7.3
Financial income	4.3	-1.7	6.0

**CONSOLIDATED STATEMENT OF CASH FLOWS –
ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY**

IN € MILLION

	June 30, 2019 adjusted	Change	June 30, 2019
Financial result	6.4	1.7	4.7
Interest received	1.1	-1.7	2.8

**CONSOLIDATED SEGMENTATION –
ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY**

IN € MILLION

	H1/2019 adjusted	Change	H1/2019
Total revenue – Americas	354.5	1.7	352.8
Total revenue – Europe	1,215.2	0.2	1,215.0
EBIT – Americas	7.5	1.7	5.8
Services	177.4	1.9	175.5
Revenue according to company location – USA	175.5	1.7	173.8
Revenue according to company location – Germany	377.5	0.2	377.3

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 general accounting principles 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

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the financial statement cannot be measured based on quoted prices in active markets, they are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a high degree of judgment on the part of management is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The fair value of financial assets measured at fair value through other comprehensive income 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. Up to and including 2019, the valuation required 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 probability of occurrence of the different estimates within a range may be reasonably assessed and will be used by external portfolio management in assessing the fair value of these unlisted equity instruments.

In 2019, the Group acquired an EUR 8.9 million minority shareholding in a company in North America. 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 determined 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 recognized at fair value through other comprehensive income (equity instruments).

Determining the term of leases with extension or termination options – the Group as a lessee
The Group has re-evaluated the terms of leases in light of the Covid-19 pandemic. There has been no material impact on the assessment of the terms of leases with extension or termination options.

(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 the first half of 2020, the Group identified grounds for a significant impairment of intangible assets.

Reduced demand and increased pressure on prices resulted in the need to recognize an impairment loss for a development project for compact equipment that is reported under other intangible assets. An impairment loss in the amount of EUR 0.6 million was recognized under cost of sales. This is reported under the Asia-Pacific segment.

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.

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.

Prompted by a change in circumstances, the feasibility of future tax benefits required for recognizing deferred tax assets was re-assessed and re-evaluated to reflect the reduced estimates for planned tax income. An impairment need was identified for deferred tax assets on loss carry-forwards in the amount of EUR 3.3 million and for deferred tax assets relating to temporary differences in the amount of EUR 1.9 million. These will be spread over the fiscal year through profit and loss within the scope of IAS 34.

The value of goodwill and assets with an unlimited useful life (at least one impairment test per year)
The Group carries out an impairment test on goodwill, intangible assets of unlimited useful life and capitalized development costs once a year, or more often if there is indication that an asset has been impaired. This involves making estimates regarding the forecast and discounting of future cash flows. The Covid-19 pandemic prompted the Group to carry out an impairment test.

Cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA)
The Group determined the fair value less costs to sell using the discounted cash flow method. Prompted by a change in circumstances, expected future cash flows were re-evaluated and re-assessed to reflect reduced demand for products and services.

The revised WACC amounted to 8.40 percent (2019: 9.23 percent). Estimates of the growth rate used to extrapolate cash flows beyond the forecast period (5 percent) and the growth rate of the perpetual annuity (2 percent) remained unchanged relative to the end of 2019. The need to recognize an impairment loss stems from a drop in expected future revenue caused by the Covid-19 pandemic and the resulting decrease in free cash flows. Free cash flow rates (free cash flow expressed as a percentage of revenue) changed slightly and are now expected to amount to 27 percent in 2020 (2019: 24 percent). After this, the Group expects them to settle in a corridor between 3.3 percent and 13.7 percent (2019: 2.50 percent to 4.61 percent). The increase in relative free cash flow rates in the current business plan is primarily due to the drop in revenue as well as positive effects from the development of net working capital.

As a result of the impairment test, goodwill in the amount of EUR 9.5 million was completely written off. The impairment loss is recognized under other expenses and allocated to the Americas segment.

There were also grounds to assess the value of the two cash-generating units Weidemann GmbH and Wacker Neuson Beteiligungs GmbH (subgroup/Austria) in light of the Covid-19 pandemic. However, this did not reveal the need to adjust for impairment losses. The parameters used remained unchanged. The WACC amounted to 9.23 percent; the growth rate used to extrapolate cash flows beyond the forecast period is 5 percent and the growth rate for the perpetual annuity is 2 percent.

Calculating the fair value of investments
A minority shareholding acquired in fiscal 2019 in the amount of EUR 8.9 million was remeasured at June 30, 2020. The reduced free cash flows caused by a drop in demand for products and services necessitated a downward correction in the amount of EUR 4.5 million. This is recognized through other comprehensive income and allocated to the Americas segment. The WACC used amounted to 6.78 percent (2019: 7.40 percent) and the growth rate for the perpetual annuity came to 1 percent (2019: 0.5 percent). A 0.5-percent change in the WACC would reduce the fair value by 41.0 percent or increase it by 48.7 percent.

In addition, the Group holds shares in an unlisted company in the amount of EUR 2.6 million. The purpose of the company is to invest in innovative start-ups. Slower growth in 2020 and increased risks for start-ups resulted in a correction in the amount of EUR 0.1 million (2019: EUR 0.4 million). This is recognized through other comprehensive income and is allocated to the Europe segment.

Provisions for ECLs on financial assets
The Group uses a provision matrix to calculate ECLs for selected financial assets. These financial assets mainly comprise:

- Trade receivables
- Receivables (extended payment terms) from dealers
- Receivables from prepaid volume bonuses
- Receivables from finance leases as the lessor

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by criteria such as geography, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The provision matrix is based on the Group's historical observed default rates. After that the Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information.

As a result of current developments, all major customers with overdue receivables were subject to a detailed, individual risk assessment in a first step. Individual impairment losses related directly to the Covid-19 pandemic were recognized in the amount of EUR 1.2 million and allocated to the US and Canada. Further allowances for doubtful accounts in the amount of EUR 3.1 million were also provided for during the ordinary course of business (H1/2019: EUR 2.0 million). These also partly relate to the potential effects of the Covid-19 pandemic. These expenses are reported under sales and service expenses.

In a first step, historical default rates are applied to 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 forecast for the global economic environment as a whole has deteriorated although closer analysis reveals no major increase in risks except for those that have already been covered by an individual impairment provision. The Group regularly produces internal risk reports outlining the development of risks. It also continuously monitors compliance with payment terms. The Group does not expect any credit rating deterioration here either.

Value adjustment for spare parts
The introduction of a new IT solution in the Group's spare parts department in fiscal 2020 enabled spare parts to be classified into more detailed categories (ABC parts) for the first time at the June 30, 2020 interim reporting date. This improvement in data quality lead to recognition of a change in an accounting estimate for spare parts within the scope of IAS 8. This resulted in a positive effect for spare parts inventories in the amount of EUR 3.9 million, which was reported in the interim financial statements at June 30, 2020 under the "Cost of sales" item in the income statement. EUR 3.3 million of this is allocated to the Europe segment and EUR 0.6 million to the Americas segment.

Legal changes to company structure

The following changes were made to the consolidation structure in the first half of 2020:

Drillfix AG in Volketswil, Switzerland, ceased operations and was deconsolidated on April 30, 2020.

Seasonal fluctuations

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

Viewed as a percentage, the quarterly distribution of consolidated revenue from fiscal 2017 through 2019 was as follows:

AS A %

	2019	2018	2017
Q1	23	22	22
Q2	27	27	28
Q3	25	24	25
Q4	25	27	25

Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing the consolidated earnings by the average number of shares. There was no share dilution effect in the reporting period shown.

IN € MILLION

	2020	2019
Q2		
Quarterly earnings attributable to shareholders in € million	12.3	33.6
Weighted average number of ordinary shares in circulation during the period in thousands	70,140	70,140
Earnings per share in €	0.18	0.48
H1		
Quarterly earnings attributable to shareholders in € million	22.7	54.4
Weighted average number of ordinary shares in circulation during the period in thousands	70,140	70,140
Earnings per share in €	0.32	0.78

Information on financial instruments

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

IN € MILLION	Jun. 30, 2020 Fair value	Jun. 30, 2020 Book value
Assets		
Investments	7.0	7.0
Other non-current financial assets	123.9	125.7
Trade receivables	320.3	320.3
Other current financial assets	25.3	25.3
Cash and cash equivalents	163.2	163.2
Liabilities		
Long-term financial borrowings	382.7	371.1
Trade payables	121.6	121.6
Short-term liabilities to financial institutions	154.6	154.6
Other short-term financial liabilities	35.6	35.6

The following key financial assets and liabilities exist in the Group and are recognized at fair value through profit or loss:

- Investments in pension funds: The Group holds investments in pension funds in the amount of EUR 1.6 million (December 31, 2019: EUR 1.6 million) to secure the pension entitlements of former Executive Board members. These are not defined as plan assets in accordance with IAS 19 and are not netted against provisions for pensions. The pension fund investments are reported under “Other non-current financial assets”. The fair value is calculated using prices listed on active markets for identical financial assets (level 1 evaluation).
- Minority shareholding in Austria: As an equity instrument, the Group holds shares in an unlisted company in the amount of EUR 2.5 million (December 31, 2019: EUR 2.6 million), which invests specifically in innovative start-ups. The aim of this investment is to give the company access to new technologies. The minority shareholding in Austria is recognized under the “Investments” item. An evaluation prompted by a change in circumstances revealed an impairment loss in the amount of EUR 0.1 million for the current fiscal year.
- Minority shareholding in North America: In 2019, the Group acquired a EUR 8.9 million minority shareholding in a company. The purpose of this was to reinforce its US sales network. An impairment loss in the amount of EUR 4.5 million was recognized for this in the first half of 2020 as a result of the Covid-19 pandemic. This non-listed equity investment is allocated to level 3 – fair value hierarchy. The minority shareholding in North America is recognized under the “Investments” item.

Information about 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	2020	2019 adjusted
Geographical segments		
Europe	631.4	692.5
Americas	143.4	231.2
Asia-Pacific	21.9	28.9
Total revenue	**796.7**	**952.6**
Segments according to business segments		
Light equipment	176.2	247.1
Compact equipment	439.9	537.9
Services	187.4	177.4
Less cash discounts	-6.8	-9.8
Total revenue	**796.7**	**952.6**
Source of revenue:		
Revenue from contracts with customers	710.7	872.6
Other revenue	86.0	80.0
Total revenue	**796.7**	**952.6**

Other revenue mainly includes revenue from flexible rental solutions for machines and accessories in accordance with IFRS 16 as well as revenue from dealer and customer financing in accordance with IFRS 9. Revenue in the Services segment includes revenue from flexible rental solutions for equipment and accessories in the amount of EUR 83.3 million (previous year: EUR 77.3 million). The rental period is generally short term, averaging approximately 15 days. Approximately EUR 2.7 million from dealer and customer financing was recognized for the first half of 2020 (H1/2019: EUR 2.7 million).

Related party disclosures

For the Group, related party disclosures within the meaning of IAS 24 „Related Party Disclosures“ generally refer to shareholders, entities over which shareholders have control or significant influence (sister companies), non-consolidated companies, members of the Executive Board, members of the Supervisory Board and a pension fund. The type and scope of transactions conducted with related parties are comparable to the previous year. Please refer to the 2019 Annual Report for more information.

Important events

In addition to the legal changes, the main important events that occurred during the period under review can be described as follows:

- The Annual General Meeting (AGM) of Wacker Neuson SE took place on June 30, 2020. The meeting was held virtually without shareholders or their proxyholders being physically present (with the exception of the proxies appointed by the company).
- Shareholders approved the Executive Board and Supervisory Board's proposal to suspend the dividend payout for the past fiscal year and to retain the earnings in question.
- Wacker Neuson SE and Kramer-Werke GmbH concluded a profit transfer agreement on May 14, 2020 in accordance with Section 291, Para. 1, Sent. 1, Case 2 AktG. Shareholders approved the resolution on the approval of the profit transfer agreement.
- The re-election of all incumbent members of the Supervisory Board who were re-nominated for a further term – Mr. Kurt Helletzgruber, Mr. Hans Neunteufel, Prof. Dr. Matthias Schüppen and Mr. Ralph Wacker – was approved at the Annual General Meeting.
- Goodwill in the amount of EUR 9.5 million attributed to the cash-generating unit Wacker Neuson Production Americas LLC (subgroup/USA) was completely written off.
- In January 2020, the Executive Board approved a program aimed at reducing costs and increasing efficiency. This initiative is currently being implemented.
- In response to the Covid-19 pandemic and the resulting sharp drop in demand, the Group implemented cost-saving initiatives such as shutdown measures and also availed of government-backed measures aimed at supporting businesses. The Group achieved savings of around EUR 12 million through various short-time work models.

Please refer to page 3 ff. in the Interim Group Management Report of June 30, 2020, for further information and explanatory comments on events that could have a substantial impact on profit, financials and assets.

Events since the interim statements

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

Munich, July 30, 2020

Wacker Neuson SE, Munich, Germany

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

Responsibility statement by the management

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

Munich, July 30, 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, Munich, Germany

We have reviewed the interim condensed consolidated financial statements, comprising 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 and selected explanatory notes, and the interim group management report of Wacker Neuson SE, Munich, for the period from January 1, 2020, to June 30, 2020, which are part of the six-monthly financial report pursuant to Section 115 WpHG (“Wertpapierhandelsgesetz”; German Securities Trading Act). The preparation of the interim condensed consolidated financial statements in accordance with IFRSs on interim financial reporting as adopted by the EU and of the group management report in accordance with the requirements of the WpHG applicable to interim group management reports is the responsibility of the Company’s management. Our responsibility is to issue a report on the interim condensed consolidated financial statements and the interim group management report based on our review.

We conducted our review of the interim condensed consolidated financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the review to obtain a certain level of assurance in our critical appraisal to preclude that the interim condensed consolidated financial statements have not been prepared, in all material respects, in accordance with IFRSs on interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the WpHG applicable to interim group management reports. Our review is limited primarily to making inquiries of company personnel and applying analytical evaluations and thus does not provide the assurance that we would obtain from an audit of financial statements. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS for interim reporting such as are to be applied in the EU nor that the interim management review has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reviews.

Munich, July 30, 2020

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

von Wachter	Hohenegg
Wirtschaftsprüfer (Public Auditor)	Wirtschaftsprüfer (Public Auditor)

Publishing Details/Financial Calendar

Contact

Wacker Neuson SE
Investor Relations
Preussenstrasse 41
80809 Munich, Germany

Phone +49 - (0)89 - 354 02 - 427
Fax +49 - (0)89 - 354 02 - 298

ir@wackerneuson.com
www.wackerneusongroup.com

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Financial Calendar 2020

August 5	**Publication of half-year report 2020**
August 18	Bankhaus Lampe German Conference, Baden-Baden (virtual)
September 2	Commerzbank Corporate Conference, Frankfurt (virtual)
September 21	Berenberg/Goldman Sachs German Corporate Conference, Munich (virtual)
November 5	**Publication of nine-month report 2020**

Disclaimer

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Wacker Neuson SE
Preussenstrasse 41, 80809 Munich, Germany
Phone +49 - (0)89 - 354 02 - 0
Fax +49 - (0)89 - 354 02 - 298
www.wackerneusongroup.com