Wacker Neuson Group

What we stand for – where we are headed

Annual Report 2017

CUSTOMER CENTRICITY

We want to inspire our customers today and in the future by going above and beyond their expectations. Our aim is to further strengthen our sense of customer centricity – every thought and action will begin with the customer, and we will jointly develop new products and services that maximize customer value.

FOCUS

We focus on our core markets and gain market shares through core products that are important for us in all regions. This is why China will be a key market for us in 2022. We are expanding our spare parts business internationally.

ACCELERATION

Wacker Neuson accelerates innovation and digitalization by intelligently networking products and services, utilizing new business models and optimizing processes such as sales support and production planning.

EXCELLENCE

To achieve excellence, we will further improve the quality of our products, processes and workflows across all areas of the company. Streamlining our Group structures makes us a faster, better organization. Providing lifelong training for our employees is particularly important for us. Our corporate culture will continue to be shaped by commitment and teamwork.

Figures at a glance 2017

WACKER NEUSON GROUP AT DECEMBER 31

IN € MILLION

	2017	2016	Changes
Key figures			
Revenue	1,533.9	1,361.4	13%
by region			
Europe	1,129.8	1,020.7	11%
Americas	357.5	291.8	23%
Asia-Pacific	46.6	48.9	-5%
by business segment[1]			
Light equipment	422.7	377.9	12%
Compact equipment	817.6	709.3	15%
Services	320.4	297.2	8%
EBITDA	207.2	158.1	31%
Depreciation and amortization (in brackets: without rental equipment)	75.8 (43.2)	69.3 (40.7)	9%
EBIT	131.4	88.8	48%
EBT	125.4	81.4	54%
Profit for the period	87.5	57.2	53%
Number of employees[2]	5,546	5,183	7%
R&D ratio (incl. capitalized expenses) as a %	3.2	3.4	-0.2PP
Share			
Earnings per share in €	1.25	0.81	54%
Dividends per share in €[3]	0.60	0.50	20%
Key profit figures			
EBITDA margin as a %	13.5	11.6	1.9PP
EBIT margin as a %	8.6	6.5	2.1PP
Key figures from the balance sheet			
Equity	1,114.8	1,092.5	2%
Equity ratio as a %	69.0	69.1	-0.1PP
ROE as a %	7.9	5.3	2.6PP
Net financial debt	148.0	205.8	-28%
Gearing as a %	13.3	18.8	-5.5PP
Non-current assets	757.1	773.0	-2%
Current assets	858.8	807.8	6%
Average net working capital to revenue as a %	36.1	42.0	-5.9PP
ROCE II as a %	6.9	4.6	2.3PP
Cash flow			
Cash flow from operating activities	138.0	79.4	74%
Cash flow from investment activities	-39.0	-44.0	-11%
Investments (property, plant and equipment and intangible assets)	-47.4	-48.5	-2%
Cash flow from financing activities	-88.2	-42.8	106%
Free cash flow	99.0	35.4	180%

[1] Consolidated revenue before cash discounts.
[2] Including temporary workers.
[3] The dividend payment to be proposed to the AGM on May 30, 2018 will be EUR 0.60.

Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of fiscal 2017 (previously recognized under cost of sales as well as other income and/or other expenses). Prior-year values have been adjusted accordingly.
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.
A ten-year overview of key indicators is provided at the end of this report.

THREE BRANDS. ONE STRONG UMBRELLA.

Each of our brands has an individual, strong personality that makes them unique and recognizable. At the heart of every brand is a particular value that should be experienced by our customers when interacting with Wacker Neuson, Kramer or Weidemann.

Wacker Neuson Group

WACKER NEUSON all it takes!

KRAMER on the safe side

WEIDEMANN designed for work

Construction, gardening and landscaping, municipal services, recycling, railroad/track construction, rescue services, energy sector, etc.

Agriculture, horse breeders, municipal services, tree nurseries

REVENUE INCREASE 2017

Business segments

LIGHT EQUIPMENT

- Concrete technology
- Compaction
- Worksite technology

+12%

Share of revenue: 27%

COMPACT EQUIPMENT

- Track excavators, mobile excavators
- Wheel loaders
- Telescopic handlers
- Skid steer loaders
- Backhoe loaders
- Wheel and track dumpers

+15%

Share of revenue: 52%

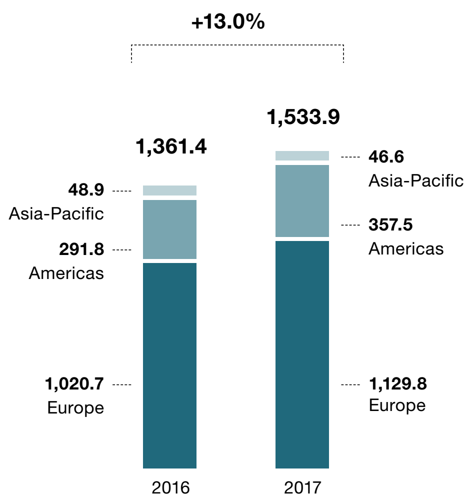
SERVICES

- Repair, maintenance, spare parts
- Rental in selected European markets
- Used equipment
- Leasing, financing, hire-purchase
- Training

+8%

Share of revenue: 21%

Regions in € million



The Wacker Neuson Group

The Wacker Neuson Group is an international family of companies and a leading manufacturer of light and compact equipment with over 50 affiliates and 140 sales and service stations. The Group offers its customers a broad portfolio of products, a wide range of services and an efficient spare parts service. The product brands Wacker Neuson, Kramer and Weidemann belong to the Wacker Neuson Group. Wacker Neuson is the partner of choice among professional users in construction, gardening, landscaping and agriculture, as well as among municipal bodies and companies in industries such as recycling, energy and rail transport. In 2017, Wacker Neuson achieved revenue of EUR 1.53 billion and employed 5,500 people worldwide.

Content

To Our Shareholders

Dear Ladies and Gentlemen,

2017 was a successful year for our Group overall. The global economy was more buoyant than it had been in a long time, with almost all key markets for our Group on the upturn. Demand for our products in our core markets of Europe and North America developed positively as a result. We benefited above all from our innovative products, strong market positioning and skill of our global sales teams in successfully developing local markets. As a result, Group revenue rose to EUR 1,534 million (2016: EUR 1,361 million), which is an increase of 13 percent relative to the previous year and a new record high for the company.

Strong demand for light and compact equipment from the construction sector was the biggest growth driver for us. We were able to further increase market shares in this sector in 2017. Key success factors included our highly innovative products and the systematic alignment of our portfolio with market needs, enabled through the engagement of our customers in the development process from an early stage. We firmly believe that alternative drive technologies will play an important role in the future. This trend is being fueled not only by changes in legal regulations, but also by rising demand from the market as the compelling ergonomics, health and safety benefits of electric motors resonate with more and more users. With our zero-emissions series, we have already established a market-leading position here, remain on a steady growth path and aim to systematically expand our portfolio.

Our business with equipment for the agricultural sector also developed positively. After a number of difficult years, willingness to invest rallied once again, driven by a number of factors including improved food prices. To expand our footprint in this important industry, we entered into a partnership with John Deere in the summer of 2017. This collaboration covers the sale of Kramer-brand all-wheel drive wheel loaders, tele wheel loaders and telescopic handlers. The partnership got underway in the second half of the year and has already started to pay dividends, giving us every reason to be optimistic about its future development.

Bolstered by a number of factors, such as substantial economies of scale and efficient cost control measures implemented by the Group, the solid rise in revenue had an above-average impact on profit. Profit before interest and tax (EBIT) grew 48 percent to EUR 131 million, which corresponds to an EBIT margin of 8.6 percent (2016: 6.5 percent). Adjusted to discount one-off effects and expenses for restructuring measures, the EBIT margin amounted to 9.4 percent (2016: 6.2 percent).

„Strong demand for light and compact equipment from the construction sector was the biggest growth driver for us."

In 2017, we focused in particular on improving the structure of our inventories. By systematically selling off old stock and introducing IT solutions to improve inventory management, we were able to reduce inventory levels while simultaneously improving the quality of our inventory mix – a move that benefits the company in times of full order books. Net working capital expressed as a percentage of revenue fell markedly to 36 percent (2016: 42 percent). In conjunction with the sharp rise in profit, free cash flow almost trebled to a record high of EUR 99 million (2016: EUR 35 million).

On September 1, 2017, the three of us – Martin Lehner, Alexander Greschner and Wilfried Trepels – took the helm at Wacker Neuson SE as the new Executive Board team. Within the framework of our "Strategy 2022", we aim to further strengthen the Group's position as a leading, international manufacturer of light and compact equipment. One of our top priorities here is to take an even more proactive approach to developing our core markets of Europe and North America as there is still plenty of potential for us to grow in these key regions. However, our international expansion plans also prioritize growth markets such as China. In January 2018, we started series production of mini excavators at our new factory in Pinghu, near Shanghai. This sees Wacker Neuson enter the market at exactly the right time, as the trend toward more compact, smaller construction equipment is rapidly gathering momentum in China. We are therefore committed to continually expanding our portfolio of competitive light and compact equipment products for China and the Asian market.

One of the main aims of "Strategy 2022" is to ensure that the company is focused 100 percent on our customers' needs. The three strategic pillars of "focus", "acceleration" and "excellence" guide all of our actions here. We aim to grow faster than the market and still see considerable potential for ongoing improvements to our profitability. We invite you to find out more about this on the following pages of this Annual Report.

„One of the main aims of Strategy 2022 is to ensure that the company is focused 100 percent on our customers' needs"

We look towards 2018 with a sense of optimism. Our markets are currently intact and forecasts give us every reason to be confident. The current strain on delivery capabilities among many suppliers and increases to material prices across our industry are challenges for us. Uncertainties also remain with regard to future currency developments. We expect revenue for 2018 to amount to between EUR 1.65 and 1.70 billion. This represents an increase of 8 to 11 percent relative to 2017. The EBIT margin is expected to range between 9.0 and 10.0 percent (2017: 8.6 percent).

Our success on the market is down to the joint efforts of all employees as well as the creativity and commitment they channel – each and every day – into our three brands: Wacker Neuson, Weidemann and Kramer. We would like to thank all of our colleagues for their hard work here. We also thank our employee representatives, shareholders and business partners for their continued trust in our company.

We look forward to working with you all to successfully shape 2018.

The Executive Board team of Wacker Neuson SE

from left:

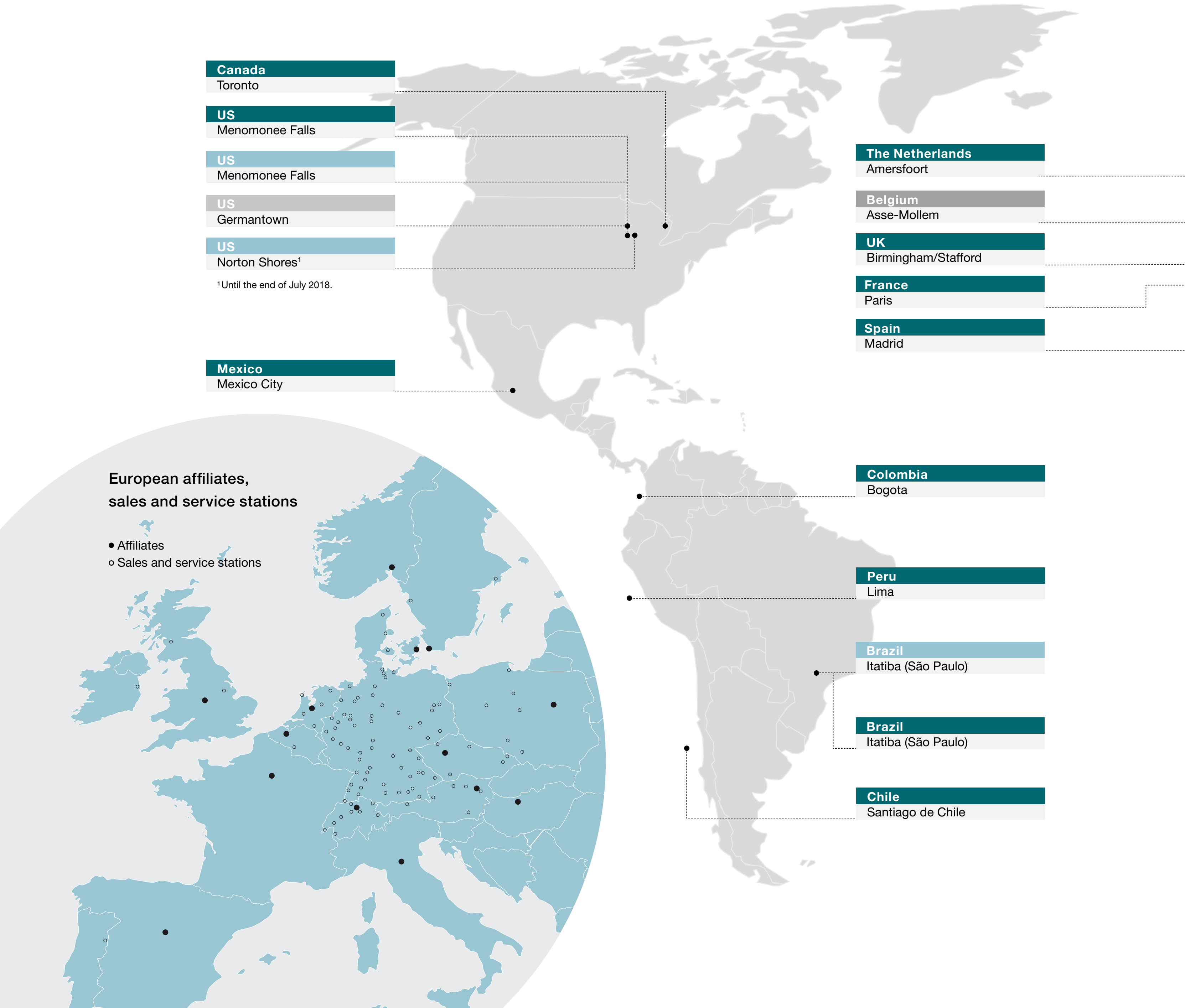
Wilfried Trepels
CFO
Responsible for finance, audit, IT, supply chain and real estate.

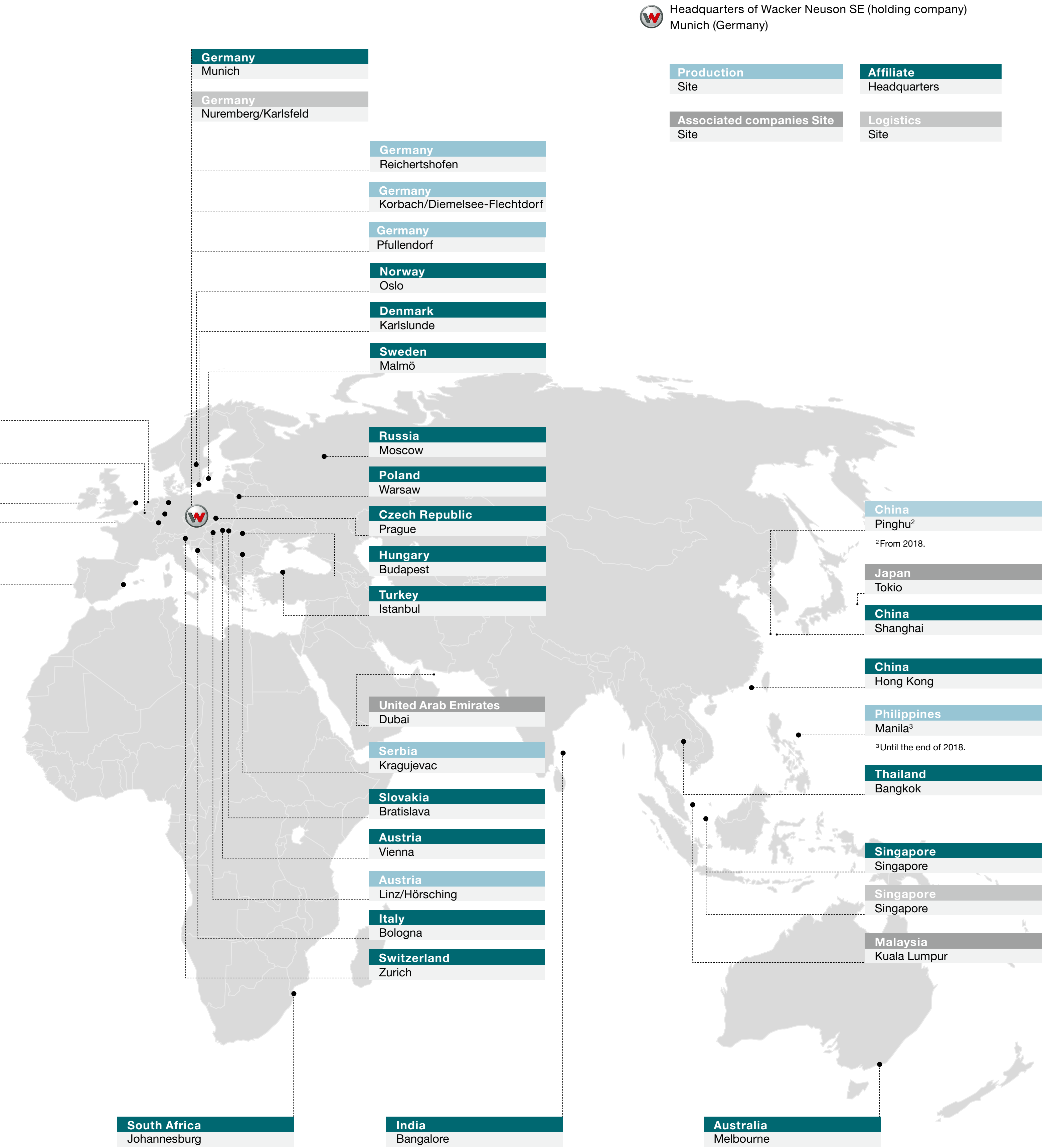
Martin Lehner
CEO
Responsible for procurement, production, technology, quality, strategy, investor relations, corporate communication, sustainability, legal matters, compliance and HR.

Alexander Greschner
CSO
Responsible for sales, service and marketing.

The Wacker Neuson Group: Around the World

Global distribution via affiliates plus own stations and partners for sales and services.



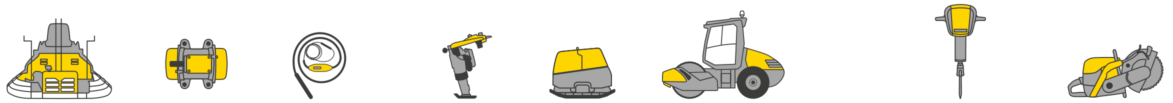

Headquarters of Wacker Neuson SE (holding company)
Munich (Germany)
Production
Site
Affiliate
Headquarters
Associated companies Site
Site
Logistics
Site
Germany
Munich
Germany
Nuremberg/Karlsfeld
Germany
Reichertshofen
Germany
Korbach/Diemelsee-Flechtdorf
Germany
Pfullendorf
Norway
Oslo
Denmark
Karlslunde
Sweden
Malmö
Russia
Moscow
Poland
Warsaw
Czech Republic
Prague
Hungary
Budapest
Turkey
Istanbul
United Arab Emirates
Dubai
Serbia
Kragujevac
Slovakia
Bratislava
Austria
Vienna
Austria
Linz/Hörsching
Italy
Bologna
Switzerland
Zurich
China
Pinghu²
²From 2018.
Japan
Tokio
China
Shanghai
China
Hong Kong
Philippines
Manila³
³Until the end of 2018.
Thailand
Bangkok
Singapore
Singapore
Singapore
Singapore
Malaysia
Kuala Lumpur
South Africa
Johannesburg
India
Bangalore
Australia
Melbourne

Well established Brands – Innovative Products.

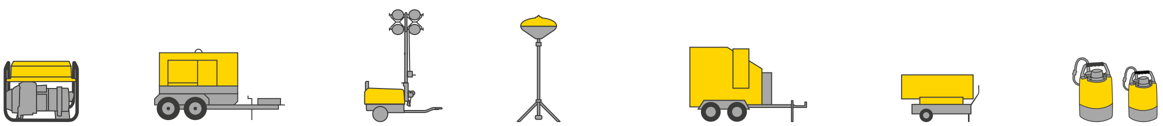
WACKER NEUSON. THE RELIABLE SOLUTION PROVIDER.

WACKER NEUSON all it takes!

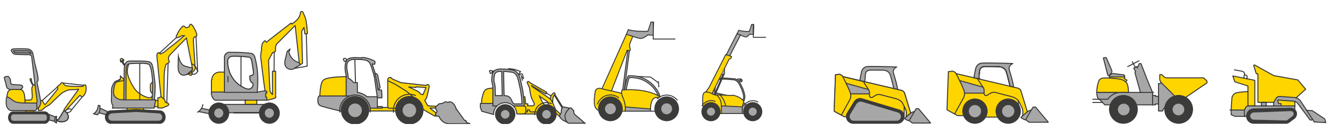
At Wacker Neuson, it's all about the success of our customers. In talking with our customers, we create solutions that considerably facilitate their everyday life by meeting their high and varied requirements. Our customers' trust in us, our products and our services is an incentive for us to do our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



Concrete technology | Compaction | Demolition



Worksite technology



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

SERVICES[1]:

Repair & Maintenance

Rental

Used Equipment

Financial Solutions

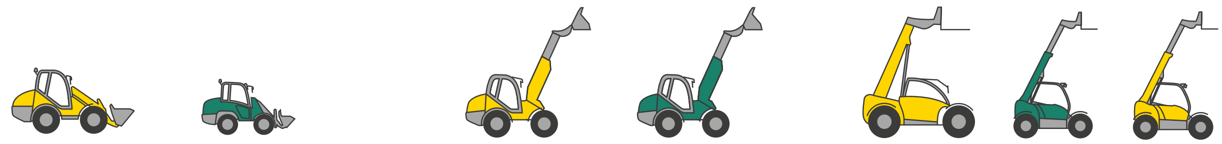
E-Store

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

ON THE SAFE SIDE WITH KRAMER.

KRAMER
on the safe side

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



Wheel Loaders	Tele Wheel Loaders	Telehandlers

WEIDEMANN – A TRADITION OF EFFICIENCY.

WEIDEMANN
designed for work

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

Hoftrac®	Wheel Loaders	Tele Wheel Loaders	Telehandlers

Academy

The Concrete Experts

Telematics

Genuine Parts

Focus on sustainable value.

STRATE

WHAT WE STAND FOR.

Everything we do, think and learn is inspired by the success of our customers in the construction and agricultural sectors. We stay close to our customers around the world so we are always getting quicker and better at understanding their regional needs, challenges and worksite processes. As a specialist for light and compact equipment, we proactively offer innovative solutions, products and services that strengthen our customers' business success in the long term.

2017

Wacker Neuson closes the year overall with improvements to all key performance indicators

Revenue
€ 1.53 billion
(+13% on previous year)

EBIT margin
8.6%
(+2.1 PP on previous year)

Adjusted EBIT margin
9.4%
(+3.2 PP on previous year)

Net earnings per share
€ 1.25
(+54% on previous year)

Equity ratio (at Dec. 31, 2017)
69%
(Equity: € 1.1 billion)

Gearing
13.3%
(-5.5 PP on previous year)

Net working capital to revenue
36.1%
(-5.9 PP on previous year)

ROCE II
6.9%
(+2.3 PP on previous year)

Free cash flow
€ 99.0 million
(previous year: € 35.4 million)

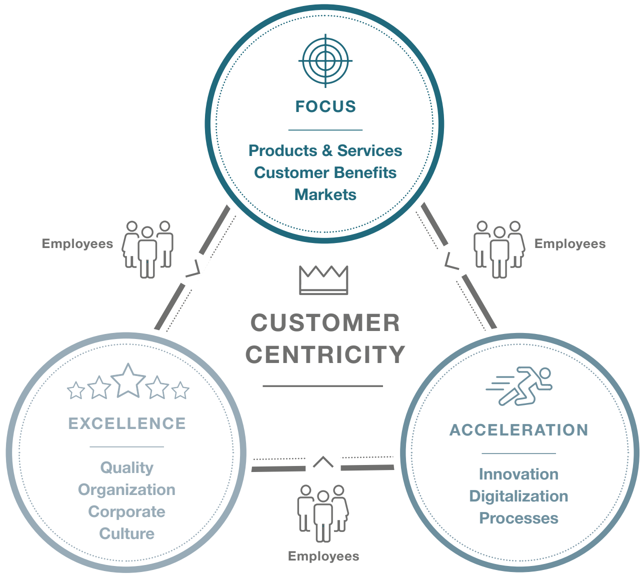
Share price development (1/1–31/12/17)
+93%
(+€ 1.03 billion marked capitalization[1])

[1] Market capitalization at Dec. 31, 2017: € 2.11 billion.

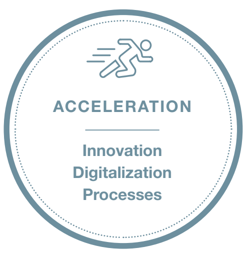
“Strategy 2022” targets market share gains and lasting increase in profitability

The “Strategy 2022” roadmap consolidates the Group’s position as one of the world’s leading manufacturers of light and compact equipment. In future, Wacker Neuson will further strengthen its sense of customer centricity – every thought and action will begin with the customer.

The Group is guided here by the three pillars of its strategy: ‘Focus’, ‘Acceleration’ and ‘Excellence’. Over 5,500 employees provide a solid foundation for the company’s growth and continued success.



In the coming years, Wacker Neuson will focus in particular on developing its core markets of Europe and North America. The Group intends to increase its market share in these regions with core products. Profitable segments are set to be developed further. By 2022, China will also become an important market for the Group. To support this expansion, the company will systematically enlarge its portfolio of competitive light equipment for China and the Asian market.



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

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

15 good reasons to invest in Wacker Neuson

1. Global trends will fuel a sustained rise in demand, e.g. population growth and urbanization
2. Markets are changing – global trend towards compact, efficient equipment
3. Innovation and market leadership in light and compact equipment
4. Successful in Europe and North America (60% of the global market[1])
5. Targeted internationalization – focused market entry in China with own factory (a further 30% of the global market[1])
6. High profitability and attractive dividend payment policy
7. Successful, long-term growth strategy (proven track record stretching back 170 years)
8. Focus on profitable lines of business in production, market and service segments
9. Country-specific sales with long-standing customer relationships
10. Attractive target industries beside construction and agriculture
11. Future-proof product portfolio – innovative trendsetter with strong differentiation from the competition (269 patents)
12. Cooperations with global market leaders
13. Stable financial base
14. Active net working capital management with a focus on generating free cash flow
15. Balanced risk profile – construction and agriculture, regional diversification, expansion of spare parts and services business

→ For more information on opportunities available to the Wacker Neuson Group, please refer to the “Opportunities and outlook” section of this Annual Report, page 76 et seq.

[1] As an example: excavator market.

Our 2022 goals: how we measure success

With core products
Top-3

Market growth
2 times

Revenue
> € 2 billion

Net working capital to revenue
≤ 30%

EBIT margin
> 11%

"With our 'Strategy 2022' roadmap, we are aiming for profitable growth and a strong boost to our position as a leading international light and compact equipment manufacturer."

Martin Lehner, CEO

WHERE WE ARE HEADED.

We are the most innovative trendsetter in the industry, growing twice as fast as the market. We are the partner of choice for our customers. Our core strengths lie in close customer ties, customer-centric product development, digitalization and product/service networking. We maintain a corporate culture that values and respects individual effort and we channel our strengths into gaining a leading position in all areas.

GY 2022

Our Share in 2017

2017 proved to be another record year for the German stock market. With a gain of over 90 percent, the Wacker Neuson share outperformed every other company in the SDAX and also compared very favorably with its international peer group.

Share and index information

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

Stock market trends in 2017

2017 was an extremely good year for the international stock markets. Aside from global factors like general economic indicators, the monetary policy pursued by the leading central banks and fluctuations in oil and raw material prices, regional political events and developments also influenced the performance of individual stock exchanges.

Overall, the German stock market performed very well following a minor set-back in the summer, going on to register record highs. The positive trajectory was driven by Emmanuel Macron’s victory in the French presidential election of summer 2017, the strong upswing in the global economy, continuation of the loose monetary policy pursued by the European Central Bank (ECB), and the persistently low level of inflation. Ongoing political tensions, including the fall-out from Brexit, developments in North Korea and the independence movement in Catalonia, barely impacted the international stock markets, and the elections in the Netherlands and Germany also passed by with little reaction. The political developments in the United States likewise caused barely a ripple on the German indexes. Following a subdued late rally, the DAX still managed to end the year up an impressive 12.5 percent and was able to celebrate a sixth straight year of stock price gains. The SDAX index had an even more successful year, closing with an increase of 24.9 percent.

The other principal stock markets of the world performed just as impressively as the German indexes. It was a banner year for the big American indexes, surging at an exceptional pace. The Dow Jones in the USA went on a record-breaking run, finishing 2017 with a 25.1 percent gain over the year as a whole. The emerging economies performed even better. The MSCI Emerging Markets Index recorded a gain of 37.3 percent over the course of the year. While the UK’s FTSE 100 Index did not manage anywhere near this rate of growth, it still recorded a double-digit increase. The CSI 300 leading index in China saw a largely upwards trajectory during the year with the exception of a minor slump in May and a marked downturn in November. The index ended 2017 on a very positive note.

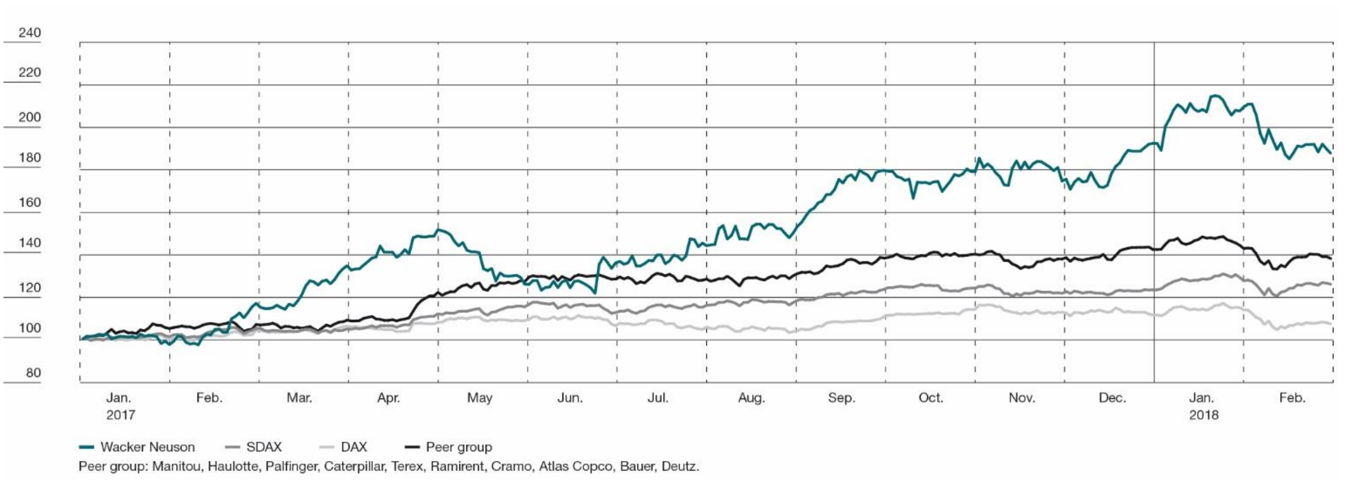
The Wacker Neuson share

From the company’s perspective, 2017 was a very satisfactory year for the Wacker Neuson share. Gaining 92.8 percent in value overall, it was the top-performing share in the SDAX. After starting the year at EUR 15.60, the share price saw relatively little movement up until early February. The share hit its low for the year of EUR 15.17 on February 9. After registering strong growth up to the start of May, the share price had fallen briefly but significantly by mid-June. It rallied after that, returning to its May high-point in August after a few modest ups and downs. The positive trend continued in the second half of the year, with September and December standing out as particularly strong months. The signs for an excellent end-of-year result were already evident by June with revenue expected to reach the higher end of the forecast figure. The share price duly reached its high for the year of EUR 30.08 in December. The upward momentum from the middle of the year onwards was largely driven by positive reaction to the Group’s announcements on newly formed strategic alliances and cooperations. Highly positive Q3 figures gave the share another surge in the closing weeks of the trading year. Overall, the Wacker Neuson share outperformed its DAX and SDAX peer indexes by a clear margin in 2017.

On February 28, 2018, the share price stood at EUR 29.34, which corresponds to a slight loss of 2 percent since the start of the year and a market capitalization of EUR 2,057.9 million.

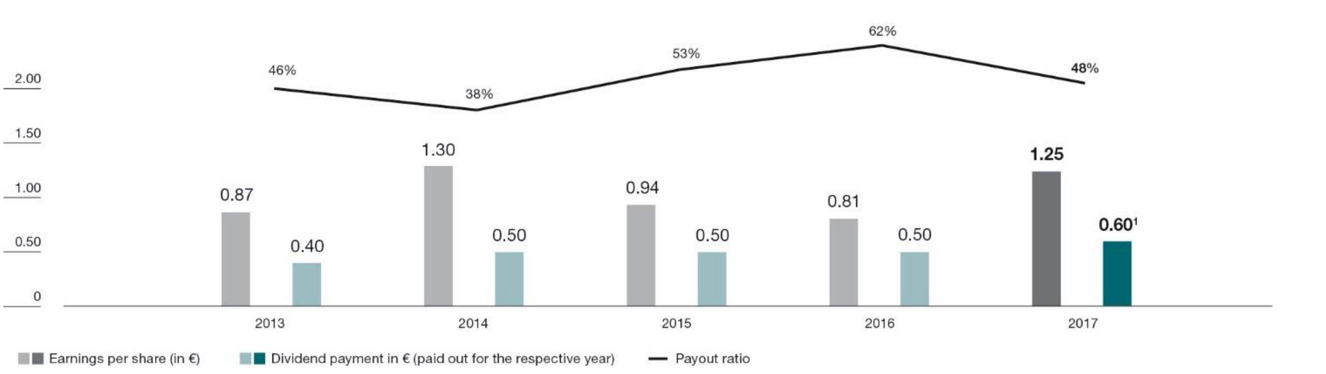
SHARE PRICE TRENDS, JAN. 1 2017 – FEB. 28, 2018

AS A %



EARNINGS PER SHARE, DIVIDEND AND PAYOUT RATIO 2013 – 2017

IN €



[1] The dividend payment to be proposed to the AGM on May 30, 2018 will be EUR 0.60.

KEY INDICATORS FOR THE WACKER NEUSON SHARE

IN €

	2017	2016
High	30.08	15.98
Low	15.17	11.44
Average	22.53	13.84
Year-end	30.08	15.42
Average daily trading volume in shares[1]	67,539	56,480
Earnings per share[2]	1.25	0.81
Book value per share[2]	15.89	15.50
Dividend payment proposed[2,3]	0.60	0.50
Payout ratio as a %	48.1	61.7
Market capitalization at year-end in € million	2,109.5	1,081.6

[1] Day trading: on XETRA.
[2] 70,140,000 shares.
[3] The dividend payment to be proposed at the AGM on May 30, 2018 will be EUR 0.60.

SHARE FACTS AT A GLANCE

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

Performance of construction and construction supplier shares

The chart above shows how the Wacker Neuson share performed in relation to its peers since the start of 2017. The index includes French companies Manitou, a telescopic handler manufacturer, and Haulotte, a lifting equipment specialist; Austrian crane and hydraulic lifting systems manufacturer Palfinger; the American construction equipment manufacturers Caterpillar and Terex; North European rental companies Ramirent and Cramo; the Swedish industrial company Atlas Copco; and German companies Bauer, specialist in underground construction, and Deutz for engines targeted also at the construction equipment industry. While the performance of the Wacker Neuson share largely mirrored that of its peer group up to the middle of May, positive reaction to the half-year report provided further momentum, and Wacker Neuson, along with Bauer AG, pulled well ahead of the other peer shares by the end of the year.

General meeting and dividends

The Annual General Meeting of Wacker Neuson SE took place in Munich on May 30, 2017. 216 shareholders with 59,711,408 voting rights in total were represented. Based on a share capital of 70,140,000 shares, this corresponds to 85.13 percent of shareholders.

The AGM approved the proposal to pay out a dividend of EUR 0.50 per share for 2016 (previous year: EUR 0.50). This represented a total payout of EUR 35.07 million. The distribution ratio thus panned out at around 61.7 percent based on Group profit for 2016 of EUR 56.8 million. In what proved to be a challenging fiscal year, this was in line with the long-term dividend policy pursued by the Supervisory Board and the Executive Board.

The AGM also approved a new authorized capital proposal. The Executive Board was authorized to increase the company's share capital, subject to the approval of the Supervisory Board, by issuing up to 17,535,000 new shares with the option of excluding subscription rights. The authorized capital will enable the company to acquire suitable companies or holdings, for example, in return possibly for shares in Wacker Neuson SE. It will also enable the company to issue new shares against cash contributions, thus providing it with an additional financing instrument independently of banking institutions. The resolution supports the growth strategy pursued by Wacker Neuson.

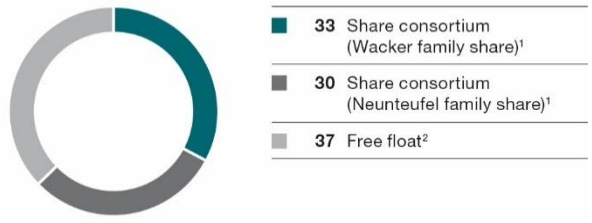
At the AGM on May 30, 2018, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 for 2017. This would correspond to a payout ratio of 48.1 percent based on 2017 Group profit for the year of EUR 87.5 million.

Ownership structure

As of the closing date of December 31, 63.1 percent of the share capital was held by a consortium made up of the Wacker and Neunteufel families (see information regarding the consortium and pool agreement). → Page 64

The remaining shares are held by private and institutional investors. To the best of the Group's knowledge, the majority of its free float (67 percent) is held by German investors.

SHAREHOLDER STRUCTURE
AS A %



As of December 31, 2017.
Differences attributable to rounding. Share capital / number of shares: 70.14 million.
[1] See information on consortium and pool agreement (page 64ff.).
[2] Including shares held by the Wacker and Neunteufel families independently of the consortium.

SHAREHOLDER STRUCTURE
AS A %

As of December 31, 2017.
Differences attributable to rounding. Share capital / number of shares: 70.14 million.

ANALYST RECOMMENDATIONS

NAME OF BANK	Target price	Buy	Hold	Sell	Date
Hauck & Aufhäuser	€ 38.00	■			Feb. 16, 2018
Metzler	€ 32.00	■			Dec. 13, 2017
Bankhaus Lampe	€ 33.00		■		Jan. 29, 2018
Berenberg	€ 31.00		■		Jan. 9, 2018
Warburg	€ 27.50		■		Nov. 10, 2017
Equinet	€ 27.20		■		Nov. 24, 2017
Deutsche Bank	€ 26.50		■		Sept. 13, 2017
Kepler Cheuvreux	€ 25.00			■	Jan. 18, 2018
Mean target price	**€ 30.03**				

As of February 28, 2018.

Strong relationships – proactive communication

Maintaining good relationships and regular contact with private shareholders, institutional investors, analysts and other stakeholders is essential to give market players the information they need to realistically assess and evaluate the Wacker Neuson share and its performance. To ensure this, the Executive Board and the Investor Relations team again actively briefed capital market players at the AGM and, above all, at various investor conferences and roadshows in Germany and abroad during 2017. Communications focused on giving analysts and investors detailed insights into the Group's markets, business, strategic aims and developments in these areas. The higher number of international roadshows held in 2017 has also contributed to an increasingly international shareholder structure. In May 2017, the Group invited analysts and investors to its Capital Market Day at the Reichertshofen production plant. Following presentation of the Q1 figures and an opportunity to engage directly with the Executive Board, the participants were invited to test a large sample of Wacker Neuson's equipment portfolio and go on a tour of the facility.

A wealth of information is also available on the website → www.wackerneusongroup.com under Investor Relations. This includes annual and quarterly reports, press releases and ad-hoc announcements, plus recent presentations. Share evaluations from analysts are also posted on the website.

For fiscal 2017, the Wacker Neuson Group has issued a non-financial Group statement in line with Section 315b HGB. This will be published at the same time as the Annual Report, as a separate non-financial Group report, covering environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters.

Analyst recommendations

Eight analysts are currently evaluating the Wacker Neuson share. Hauck & Aufhäuser, Warburg, Metzler and Equinet began covering the share in 2017. They were joined by Berenberg at the start of 2018. In preparation for the EU's Markets in Financial Instruments Directive MiFID II, which came into effect at the start of 2018, the company already stepped up contact with analysts from different institutions throughout 2017. It remains to be seen how the altered legal framework will change access to investors. The Group will continue to take a pro-active and thorough approach to its investor relations work. As of the February 28, 2018 cut-off date, two analysts were recommending "buy" for our share, five analysts were recommending "hold" and one analyst was recommending "sell". The mean target price was EUR 30.03 and the recommendations ranged from EUR 25.00 to EUR 38.00.

According to the analysts, the Wacker Neuson Group faced the following opportunities and risks at the start of 2018:

Opportunities

- Innovation and market leadership in light and compact equipment
- Strong brand awareness and broad product portfolio
- Global trend towards more compact, fuel-efficient equipment
- Positive trend in the construction industry, in particular in Europe and North America
- Sales synergies for compact equipment through existing international sales network
- Successful cooperation with John Deere in agricultural equipment
- Market share gains in North America, accelerated by the relocation of skid steer loader production to the USA
- New market in China for locally produced mini excavators
- Increase in profitability following streamlining of the organizational structure and optimization of business processes
- Improvement of net working capital management

Risks

- Dependence on global economic cycles
- Dependence on changes in raw material prices
- Challenges imposed by emissions legislation and increasingly stringent regulatory requirements
- Difficulties in starting up production in China

Report by the Supervisory Board

Dear Shareholders,

We are pleased to report that Group business developed positively during the 2017 fiscal year. With successful implementation of the company strategy and positive overall developments in our core European and North American markets, revenue rose to a new record high of EUR 1.53 billion. The Group also made significant progress in terms of profitability, with the EBIT margin rising to 8.6 percent. We would like to thank our people for helping us achieve this result. Their dedication and willingness to assume responsibility was a great support to company management again in 2017. There are currently many signs indicating that 2018 will also develop positively for our company.

Cooperation between the Supervisory Board and Executive Board

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

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

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

Hans Neunteufel
Chairman of the Supervisory Board

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

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

Main topics of Supervisory Board meetings in fiscal 2017

Ten plenary meetings of the Supervisory Board were held in fiscal 2017. Two of these sessions were conducted by telephone. The Presiding Committee met twice and the Audit Committee met on four occasions. In five cases, the Supervisory Board voted by means of a written resolution.

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

At the Supervisory Board meeting to approve the financial statements on March 14, 2017, and following appropriate preparations by the Audit Committee, the Supervisory Board focused on examining the Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report of Wacker Neuson SE and the Wacker Neuson Group, as well as related party disclosures for fiscal 2016. In its session immediately before the Supervisory Board meeting, the Audit Committee discussed these documents in detail with the Executive Board, raising numerous questions with the auditing company representative present at the meeting, and discussing these issues at length. This took place in addition to the Supervisory Board's regular examinations as part of its own preparation for the meeting to approve the financial statements. The Annual and Consolidated Financial Statements along with the Combined Management Report and the appropriation of net profit suggested by the Executive Board were approved. The Supervisory Board also ratified the AGM agenda and the Supervisory Board report. In addition, this meeting covered the declaration on corporate governance, an assessment of the findings from the Supervisory Board efficiency audit, and information about strategic projects.

On May, 9, 2017, the Supervisory Board discussed at length the forthcoming quarterly report. This meeting also focused on a resolution concerning the definition of targets for female representation in the Executive Board and Supervisory Board. Please also refer to the further explanations in the declaration on corporate governance in this regard. Additionally, the decision was taken to establish an affiliate in Belgium. The Executive Board also provided the Supervisory Board with information about the affiliate in the Philippines and about the status and progression of the Group's executive development program.

At the meeting held on May 30, 2017 Executive Board matters were the core focus. The (telephone) meeting on May 31, 2017, was primarily concerned with changes to the Supervisory Board resulting from Mr. Haßlach's retirement.

The (telephone) meeting on July 6, 2017 dealt with the resolution to collaborate with John Deere in the agricultural sector; this was the sole item on the agenda.

The meeting held on July 11, 2017 centered on HR issues; primarily the decision regarding the appointment of a new CEO.

The meeting held on August 4, 2017 focused on the forthcoming publication of the half-year report for 2017 as well as the resolution for availing of certain balance sheet exemptions for various affiliates and the company's obligation to carry the associated loss. In addition, as a result of the change to the Executive Board composition, a resolution was passed to adjust the individual mandates of the Executive Board members.

On October 11, 2017, the Supervisory Board met for its annual strategy meeting; this year held at the Menomonee Falls production site in the US. Here, the Supervisory Board discussed company strategy with the Executive Board and received updates on business in North America, in particular.

The meeting held on November 8, 2017 primarily focused on the current business situation and publication of the pending quarterly report. The Supervisory Board also received a progress update on a real estate project. The resolutions passed included the reorganization of logistics and administrative services. In addition, the Supervisory Board was informed about the situation and outlook of the affiliate in Serbia.

During its meeting on December 14, 2017, the Supervisory Board focused on examining the Executive Board's business plan for fiscal 2018, as well as on medium-term and financial planning. Supervisory Board members not only assessed the plans, but also discussed the associated opportunities and risks in detail with the Executive Board, particularly against the backdrop of the unpredictable global economic climate. Submission of the updated declaration of compliance with the German Corporate Governance Code was also on the agenda. Furthermore, the Supervisory Board received information about the organizational structures in the sales area, for instance, as well as in staff and Group functions. The agenda also included Executive Board matters.

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

Work performed by the Supervisory Board committees in fiscal 2017

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

At a meeting on March 14, 2017, the Supervisory Board Audit Committee prepared the Supervisory Board's resolution on the adoption of the Annual Financial Statements and the Consolidated Financial Statements for the year ending December 31, 2016. The committee also discussed the independence and appointment of an auditor, and submitted a recommendation in that regard to the Supervisory Board plenary meeting. The Supervisory Board, in turn, followed this recommendation and proposed the same auditor at the AGM. The internal audit reports and risk report were also on the agenda.

At its meetings held on May 9, August 4 and November 8, the Audit committee primarily dealt with publication of the pending quarterly reports. It additionally focused on the work performed by the internal audit department and issues relating to compliance. The Committee also discussed the Group's non-financial statement, to be prepared for the first time for fiscal 2017 and published in a separate, non-financial Group report, as well as the external auditing thereof. Furthermore, the Committee looked at various matters relating to finance, controlling and risk management.

In two meetings held on April 4 and June 28, 2017, the Presiding Committee focused on various Executive Board matters and prepared corresponding resolutions for the Supervisory Board.

Changes in the composition of executive bodies

Mr. Wilfried Trepels took on the role of Chief Finance Officer (CFO) of Wacker Neuson SE on January 1, 2017. He is responsible for controlling, accounting, Group auditing and IT. Since September 1, 2017, he has also been responsible for the real estate area, and since January 1, 2018, for the newly created Corporate Supply Chain department (including logistics). Mr. Trepels took over from Günther C. Binder, who stepped down from his position on the Executive Board on December 31, 2016. The Supervisory Board is extremely grateful to Mr. Binder for his many years of dedication and the contribution he made to the Group's successful development, and wishes him all the best for the future.

Mr. Alexander Greschner became Chief Sales Officer (CSO) on January 10, 2017, with responsibility for the Group's global sales, service, logistics and marketing activities. He replaced Mr. Jan Willem Jongert (CSO), who reached a mutual agreement with the Supervisory Board to leave the company earlier than planned. As of January 1, 2018, the Group's logistics activities were transferred to the new Corporate Supply Chain department, which falls under the responsibility of the CFO.

On September 1, 2017, Mr. Martin Lehner succeeded Mr. Cem Peksaglam as CEO and Chairman of the Executive Board of Wacker Neuson SE. Mr. Peksaglam left the company at the end of his contract on August 31, 2017. The Supervisory Board would like to thank Mr. Peksaglam for his dedicated service and all his achievements for the Group over the past six years. Mr. Lehner was previously Deputy CEO alongside his role as CTO, and already had responsibility for research and development, procurement, production and quality. In addition to these areas, in his new role he also assumed responsibility for strategy, investor relations, corporate communication, sustainability, legal and compliance, and HR.

On June 11, 2017, Mr. Hans Haßlach stood down from his position as employee representative on the Supervisory Board due to retirement. Mr. Christian Kekelj took over his role on the Supervisory Board effective June 12, 2017. The Supervisory Board would like to thank Mr. Haßlach for his many years of service representing the employees on the company's Supervisory Board.

Risk assessment and compliance

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

Corporate governance

Both the Supervisory Board and the Executive Board are aware that sound corporate governance is essential to protect shareholder interests and secure the company's long-term success. The Supervisory Board continuously monitored the further development of the German Corporate Governance Code and kept up to date with the capital market and corporate legislative framework. The Executive Board and Supervisory Board issued an updated declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG during the period under review, on December 14, 2017. The entire declaration is permanently available on the company's website and is also included in the declaration on corporate governance pursuant to Section 289f HGB in combination with Section 315d HGB, which can be found online and in the Annual Report.

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

Annual and Consolidated Financial Statements for 2017

At the AGM on May 30, 2017, the auditing company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("Ernst & Young") of Stuttgart, Germany, was appointed auditor for the company and Group for fiscal 2017. Before the Supervisory Board made its proposal to the AGM, based in turn on the recommendation by the Audit Committee, the auditing company submitted written confirmation to the Chairman of the Audit Committee that there are no circumstances that could compromise its independence as an auditor or give rise to doubts about its independence. Ernst & Young also specified the scope of services other than the audit of annual financial statements performed on behalf of the company over the previous fiscal year. The Chairman of the Audit Committee engaged the company in writing with the task of auditing the financial accounting procedures.

The Annual Financial Statements for the year ending December 31, 2017 were prepared by the Executive Board in accordance with the

HGB. The Consolidated Financial Statements for the year ending December 31, 2017 were prepared by the Executive Board in line with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the additional requirements under German commercial law pursuant to Section 315a HGB. Ernst & Young audited both sets of statements along with the books. The audit did not give rise to any reservations, so an unqualified audit opinion was issued for both the Annual Financial Statements and the Consolidated Financial Statements.

Each member of the Supervisory Board received the audit documents for appraisal in good time. Together with the Audit Committee, the entire Supervisory Board undertook a thorough examination of the Annual Financial Statements as well as the Consolidated Financial Statements, the Combined Management Report for the company and the Group and the related party disclosures in conjunction with the audit reports. The documents were discussed in detail at the Audit Committee meeting on March 15 and 19, 2018, and at the Supervisory Board plenary meeting of the same date, with the Executive Board and in the presence of the auditor, who reported the main findings of their audit and answered questions from Supervisory Board members. After its own close examination of the documents, the Supervisory Board raised no objections and endorses the results of the audit report. The Supervisory Board also approves the Consolidated (Group) Management Report and, in particular, the forecast regarding the company's further development.

The final examination by the Supervisory Board did not lead to any reservations. On March 19, 2018, the Supervisory Board therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the company and the Group as prepared by the Executive Board for the year ending December 31, 2017. The 2017 Annual Financial Statements have thus been duly approved. The Supervisory Board also examined the Executive Board's suggested appropriation of profit for fiscal 2017, in particular with regard to the dividend payment policy, impact on Group liquidity and shareholder interests. It did not raise any objections and, in line with the Audit Committee's recommendation, thus gives its unqualified consent to the proposal.

The Supervisory Board's examination also included the Group's non-financial statement for fiscal 2017, prepared in accordance with Section 315b HGB for publication in the separate, non-financial Group report. Ernst & Young had been tasked with auditing the Group's non-financial statement to obtain limited assurance in line with the International Standard on Assurance Engagements (ISAE) 3000, and correspondingly prepared and submitted its report to the Supervisory Board. The Supervisory Board received the result of the limited assurance engagement undertaken by Ernst & Young and, following its own in-depth examination, concluded that the Group's non-financial statement fulfills the appropriate requirements and there are no objections to raise.

Examination of the Executive Board report on related party disclosures

The Executive Board prepared a report on related party disclosures for fiscal 2017. This report contains in particular a declaration by the Executive Board about the legal transactions undertaken by Wacker Neuson SE. The Executive Board states that – to the best of its knowledge and based on the information known to it at the time the transactions were entered into – appropriate compensation was received in respect of all transactions outlined in the related party disclosures report. Ernst & Young examined the related party disclosures report and issued the following auditor's opinion:

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

1. The factual statements contained in the report are correct

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

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

The management and all employees of the Wacker Neuson Group showed great personal dedication in fiscal 2017, making a valuable contribution to the company's positive development. The Supervisory Board would like to thank all employees and the Executive Board for their commitment and performance – both on a day-to-day basis and under exceptional circumstances.

Munich, March 19, 2018

On behalf of the Supervisory Board

Hans Neunteufel
Chairman of the Supervisory Board

Corporate Governance Declaration and Report

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

Declaration on corporate governance

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

1. Declaration of compliance pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of Wacker Neuson SE consider the German Corporate Governance Code as an important body of regulations. Both executive bodies feel compelled to comply with its principles of responsible, professional and transparent corporate governance. They have therefore thoroughly examined the recommendations of the German Corporate Governance Code and issued the following declaration of compliance on December 14, 2017.

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

The German Corporate Governance Code contains recommendations and proposals for managing and monitoring German listed companies in relation to shareholders and the Annual General Meeting (AGM), the Executive Board and the Supervisory Board, transparency, accounting and auditing. The German Stock Corporation Act requires the Executive Board and the Supervisory Board of listed companies to disclose each year the recommendations of the German Corporate Governance Code which the company has not followed or is not following, and to explain the reasons for non-compliance ("comply or explain"). The Executive Board and the Supervisory Board identify with the duty as outlined in the German Corporate Governance Code to uphold the principles of a social market economy and maintain the substance of the company as a going concern and its ability to generate value in a sustainable fashion (company interest) and to further promote responsible and transparent management and governance of the company.

In accordance with Section 161 AktG, the Executive Board and the Supervisory Board of Wacker Neuson SE hereby declare that since the submission of the most recent declaration of compliance of December 15, 2016, the company has complied with the recommendations issued by the German Corporate Governance Code Commission published by the German Federal Ministry of Justice (BMJ) in the official section of the Federal Gazette as amended on May 5, 2015 and/or February 7, 2017 (as of the effective dates) and continues to comply with the recommendations of the Code as amended on February 7, 2017, with the exceptions listed and explained in more detail below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

   The shareholders' Supervisory Board members thus elected are, however, not bound in any way to the directions of individual, several or all of the parties to the pool agreement and any and all decisions they make within the Supervisory Board are made exclusively in the company's interests. Even though these shareholders' Supervisory Board members always enjoy the special trust of the parties to the pool agreement appointing them, they are not, in the Supervisory Board's view, in any personal or business relationship with a controlling shareholder, which could lead to a fundamental conflict of interest. In the view of the Supervisory Board, the shareholder representatives in the Supervisory

Board, including the Chairman of the Audit Committee, are therefore to be considered independent. It is therefore the Supervisory Board's view that the Supervisory Board is composed of a sufficient number of independent members, in particular with regard to the ownership structure. Given the ongoing legal uncertainty surrounding interpretation of the term "independence", the company nonetheless declares non-conformance as a precautionary measure.

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

10. Section 5.4.3. sent. 3 of the German Corporate Governance Code: So that the Supervisory Board can continue to vote impartially for its chairperson, the proposed candidates will not be announced in advance.

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

    Munich, December 14, 2017

    Wacker Neuson SE

    Executive Board and Supervisory Board

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

2. Corporate governance report

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

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

Executive Board

The Executive Board represents the company vis-à-vis third parties and manages its business in accordance with legal regulations, the Articles of Incorporation and the rules of procedure for the Executive Board. Since September 1, 2017, the Executive Board comprises three members (previously four). It is responsible for managing the company and represents it both legally and otherwise. The Executive Board functions on the basis of joint accountability. In other words, all members of the Board are jointly responsible for all areas of company management.

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

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

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

Mr. Martin Lehner has been CEO of Wacker Neuson SE, the parent company of the Group, since September 1, 2017 (previously: Mr. Cem Peksaglam). A Deputy CEO has not been appointed since that date (previously: Mr. Martin Lehner). Further details on individual members of the Executive Board, in particular their areas of responsibility within the Executive Board, are disclosed in the Notes to the Consolidated Financial Statements in Section 32 "Executive bodies" (Wacker Neuson Group Annual Report 2017).

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

Supervisory Board

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

The terms of office of all Supervisory Board members run until the close of the AGM that tables a resolution to formally approve the actions taken by the company in fiscal 2019. Their terms may be no longer than six years. Further details on individual members of the Supervisory Board are disclosed in the Notes to the Consolidated Financial Statements in Section 32, "Executive bodies" (Wacker Neuson Group Annual Report 2017).

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

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

Composition and role of committees

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

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

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

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

Further details on the activities of the Supervisory Board and its committees can be found in the current Supervisory Board report (Wacker Neuson Group Annual Report 2017).

Shareholders and the AGM

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

The AGM this year will take place on May 30, 2018 in Munich. The Executive Board makes it easier for shareholders to exercise their voting rights at the AGM by offering the opportunity to delegate binding voting instructions to proxies named by the company. Shareholders can also do this during the AGM. Information on how to vote by proxy will additionally be included in the invitation to the AGM meeting. These named proxies are also available at the AGM to shareholders present at the AGM. Furthermore, it is possible to delegate voting rights to financial institutions, shareholder associations and other third parties.

Accounting and auditing

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

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

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

Risk management

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

Specific details on risk management within the Wacker Neuson Group are disclosed in the risk report in the Combined Management Report (Wacker Neuson Group Annual Report 2017). This also includes a report on the control system and risk management system in relation to the accounting process.

Transparency

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

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

Director's dealings and significant voting interests

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

Remuneration report in the corporate governance report

We report on the remuneration system applicable to the Executive Board in our Combined Management Report under the "Remuneration framework" section. The AGM approved a resolution not to publish remuneration details for individual Executive Board members in the interest of their privacy.

The overall remuneration of the Executive Board and the Supervisory Board is disclosed in the above-mentioned section and in the Notes to the Consolidated Financial Statements in Section 33 "Related party disclosures" (Wacker Neuson Group Annual Report 2017).

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

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

The German law governing equal participation of women and men in management positions in the private and public sector came into force in Germany in 2015. Under this law, listed companies such as Wacker Neuson SE that are not subject to co-determination in accordance with the German Co-determination act (Mitbestimmungsgesetz), the Co-determination Act for Companies active in the Mining, Iron and Steel Industries (Montan-Mitbestimmungsgesetz), or the Co-determination Supplementary Act (Mitbestimmungsergänzungsgesetz) are obliged to set targets for women in the Supervisory Board, Executive Board and the two management lines below the Executive Board. Since this law took effect, the Executive Board and the Supervisory Board have examined this issue several times.

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

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

As the Executive Board and Supervisory Board are still made up exclusively of men, the previous target of having 0 percent of the Executive Board and Supervisory Board comprising women as at June 30, 2017 has been met.

The Executive Board has defined the following new targets for the proportion of women appointed to managerial positions at Wacker Neuson SE, which it intends to achieve by December 31, 2021. These targets refer to staff who are directly employed by the company Wacker Neuson SE. The target percentage for line one below the Executive Board is 27 percent (currently 27 percent) and the target for line two below the Executive Board is 20 percent (currently 67 percent).

The previous targets of 23 percent for line one below the Executive Board and 20 percent for line two below the Executive Board were thus met with 27 and 67 percent respectively as at June 30, 2017.

3. Corporate governance best practices

Compliance – principles of sound business and financial governance

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

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

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

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

Corporate Social Responsibility (CSR)

A professional sustainability strategy means that the Wacker Neuson Group can assess the effects of its value-adding processes on the environment and take action to maximize resource conservation. Reducing costs associated with energy consumption and obtaining certification for sites in the European Union in accordance with DIN EN ISO 50001 and DIN EN ISO 14001 are also important aspects of the sustainability strategy. The strategy is steered and implemented centrally by a Sustainability Team.

The Wacker Neuson Group aims to continue developing innovative, value-adding products and services to the same high levels of quality and reliability, while implementing sustainable and environmentally sound production and work processes. This goal is set out in the Group’s “CSR Mission Statement”, which can be found at: → www.wackerneusongroup.com/en/the-group/mission-vision-strategy/

For 2017, we have issued a non-financial Group statement as a separate non-financial Group report, which will be published at the same time as this report and is available on the company website (in line with Section 315b HGB; CSR Directive Implementation Act [CSR-Richtlinie-Umsetzungsgesetz]).

Munich, March 19, 2018

Wacker Neuson SE

The Executive Board

Martin Lehner
CEO

Alexander Greschner CSO	Wilfried Trepels CFO

Combined Management Report

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

Combined Management Report of Wacker Neuson SE and its Group for Fiscal 2017

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

The Annual Financial Statements of Wacker Neuson SE (which is structured as a holding company) have been prepared in accordance with the provisions of the HGB and the German Stock Corporation Act (AktG). The Management Report of Wacker Neuson SE is included in this Group Management Report in line with Section 315 (5) HGB; further details are disclosed in the Section "Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB)". **→ Page 46** **The risks and opportunities facing Wacker Neuson SE cannot be differentiated from those facing the Group.**

The Wacker Neuson Group

The Wacker Neuson Group is an international manufacturer of light and compact equipment. The company offers its customers a broad and deep portfolio of products, a wide range of services and an efficient, global spare parts service. The Group's manufacturing activities are distributed across three sites in Germany, one in Austria, two sites in the US, one in the Philippines and, since 2016, one site in Brazil. Production also started at a newly constructed facility in China in January 2018. Wacker Neuson manufactures steel components in Serbia. Products are distributed globally via affiliates, Wacker Neuson sales and service stations and an extensive network of sales partners.

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

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

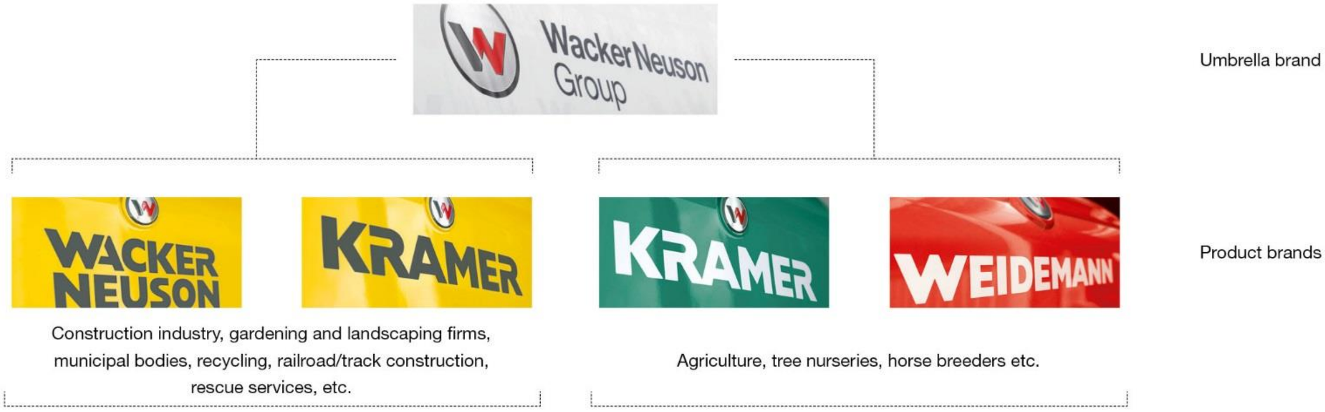
BUSINESS SEGMENTS

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

Brands

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

GROUP BRANDS



Industries

Wacker Neuson is the partner of choice among customers across a variety of industries, in particular in construction, gardening, landscaping and agriculture, as well as among municipal bodies and industrial companies in the recycling, energy and rail sectors.

TARGET INDUSTRIES

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

Organizational and legal structure

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

The Consolidated Financial Statements of Wacker Neuson SE are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. 58 companies, including the holding company, are fully consolidated in these statements.

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

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

Please refer to the section entitled "General information on accounting standards" in the Notes for detailed information on the legal structure.
→ Page 87

PERFORMANCE INDICATORS (5-YEAR-PERIOD)

AS A %

	2017	2016	2015	2014	2013
Revenue in € million	1,533.9	1,361.4	1,375.3	1,284.3	1,159.5
EBIT margin	8.6	6.5	7.4	10.2	8.2
Average net working capital/revenue	36.1	42.0	40.2	38.4	39.2
ROCE II	6.9	4.6	5.4	7.6	6.5
Equity ratio	69.0	69.1	68.9	70.2	71.0
Net financial debt in € million	148.0	205.8	199.1	179.5	177.2
Gearing	13.3	18.8	18.6	17.7	18.9
Free cash flow in € million	99.0	35.4	23.7	27.5	61.6

Corporate governance and value management

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

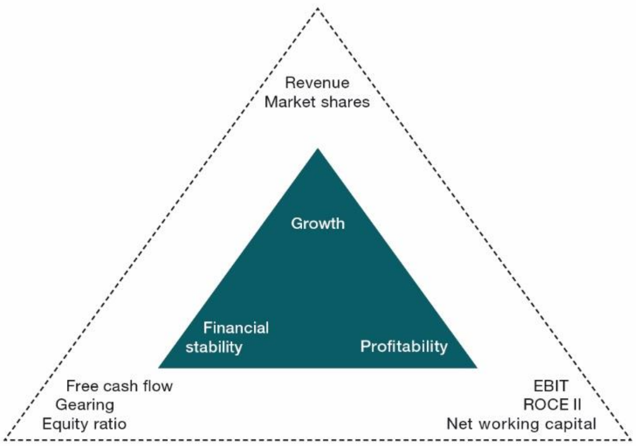
Important decisions on projects initiated by the company in response to changing market and customer requirements are generally made by management committees. These committees include members of the Executive Board as well as first and second line managers.

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

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

The table above shows a year-on-year comparison of how these key indicators have developed. The terms are explained in the financial glossary. → Page 135

PERFORMANCE INDICATORS



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

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

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

General background

Overall economic trends

- Global economy grows at a stronger pace
- Industrialized countries benefit from upswing
- Strong euro exchange rate

According to estimates made by the International Monetary Fund (IMF), world gross domestic product (GDP) increased by 3.7 percent in 2017, compared with a 3.2 percent rise in the previous year. Signs of an upturn in the global economy which were already evident in 2016 became more pronounced in the first half of 2017. At 2.3 percent, economic growth increased in industrialized countries (previous year: 1.7 percent). Emerging countries also reported a higher growth rate of 4.7 percent (previous year: 4.4 percent). At the same time, however, the IMF warned that this growth may not be sustainable. Not all countries are participating in the upturn; inflation rates remain below Central Bank targets in some instances, and the medium-term outlook is still disappointing in many parts of the world.

Economic output in the eurozone grew by 2.4 percent during the period under review. This trend was aided by the European Central Bank's (ECB) decision to keep interest rates at zero, a more relaxed situation on the labor market, a significant improvement in the global market, and a rise in consumer spending. Despite the strong euro, demand from non-EU countries increased, fueling a rise in exports.

In 2017, Germany again proved to be a stabilizing force for the European economy, reporting slightly stronger growth of 2.5 percent relative to the previous year. Spain reported a 3.1-percent rise in GDP, making this the third consecutive year of growth for the country. The Italian economy also showed tangible signs of recovery for the first time in three years with a plus of 1.6 percent. The threat of the eurozone collapsing seems to have receded for now. However, the debt crisis is far from over and is still having a significant impact on Greece.

The US economy developed strongly in the first half of 2017, only to flatten out somewhat towards the close of the year. Performance remained robust, however, with the country reporting growth of 2.3 percent (previous year: +1.5 percent). The economy here mainly benefited from the continued drop in unemployment together with a rise in consumer spending. The US Federal Reserve (Fed) used these positive market trends to further normalize its monetary policy.

Oil and commodity prices were volatile in 2017, taking a sharp dip in the middle of June. However, the price of oil in particular picked up again by the end of year and thus charted a significant increase over the course of the year. After two years of recession, Russia was able to significantly accelerate its slow recovery in recent years and reported growth of 1.8 percent for the first time in this period. This trend was fueled by rising oil prices and an improving economic situation. For the first time, the Brazilian economy was again able to report gains. Growth in other emerging countries also continued to follow an upward trajectory. China continued to grow at an above-average rate, upping the pace slightly at 6.8 percent. This reflects the structural shift that the country is undergoing. Driven by the Chinese government, the reforms aim to move the country away from export, heavy industry and debt-financed investment to a model built on stronger domestic demand, innovation and the service sector. However, there are increasing concerns that part of this growth was only possible due to short-term government incentive programs.

REAL GDP (CHANGE FROM PREVIOUS YEAR)

AS A %

	2017	2016
World	3.7	3.2
Eurozone	2.4	1.8
Germany	2.5	1.9
USA	2.3	1.5
South America	1.3	-0.7
China	6.8	6.7
Russia	1.8	-0.2
Middle East and North Africa	2.5	4.9
South Africa	0.9	0.3

Source: IMF, World Economic Outlook, January 2018 update.

Currency trends

Back in 2016, experts feared that a significant gap would develop between the euro and the US dollar. This threat did not materialize. The ongoing aggressive monetary policy announced by the US Federal Reserve (Fed) fell short of market expectations and the euro gained in value against the US dollar. The euro was primarily strengthened by positive economic trends and the stabilization of political relations in the European monetary union. The euro also gained ground against other key currencies such as the Swiss franc, the Japanese yen, the UK pound, the Russian ruble and the Brazilian real.

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

1 euro equals

	2017	2016	Change as a %
US dollar (USD)	1.1993	1.0541	13.8
Swiss franc (CHF)	1.1702	1.0739	9.0
British pound (GBP)	0.8872	0.8562	3.6
Japanese yen (JPY)	135.0100	123.4000	9.4
Australian dollar (AUD)	1.5346	1.4596	5.1
Brazilian real (BRL)	3.9729	3.4305	15.8
Chinese yuan (CNY)	7.8044	7.3202	6.6
Indian rupee (INR)	76.6055	71.5935	7.0
Canadian dollar (CAD)	1.5039	1.4188	6.0
Russian ruble (RUB)	69.3920	64.3000	7.9
South African rand (ZAR)	14.8054	14.4570	2.4

Source: Notes to the Consolidated Financial Statements, page 92.

Overview of construction and agricultural industries

- Strong construction activity in industrialized countries
- Significant upturn in European construction sector
- Marked increase in construction equipment sales – in Europe and worldwide

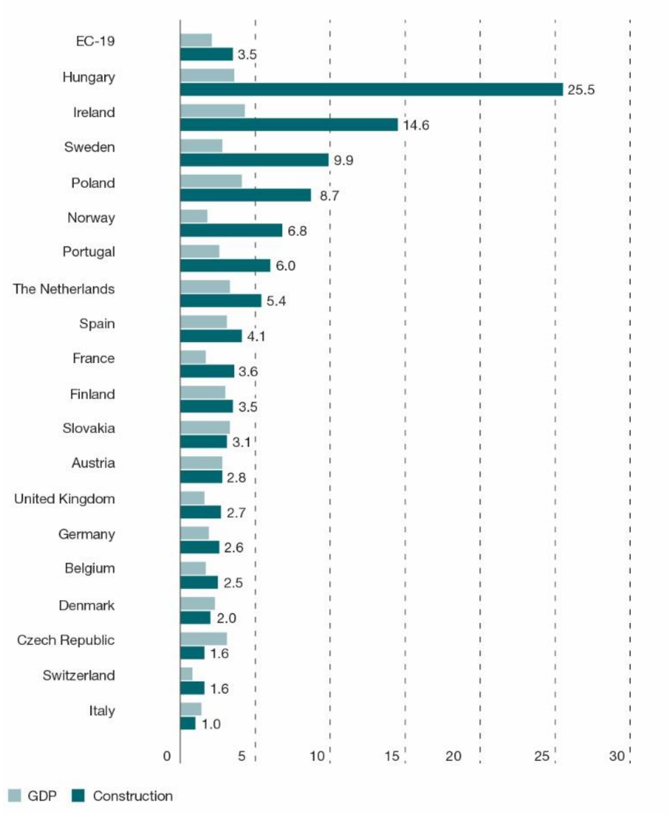
Developments in the global construction industry have a significant impact on the business performance of the Wacker Neuson Group. 2017 was a successful year for the construction industry in industrialized countries. According to the German Engineering Federation (VDMA), the global construction equipment market grew by 5 percent. Europe proved to be the main driving force behind this positive development. According to Euroconstruct, construction activity in Europe rose by approximately 3.5 percent, which is the strongest increase since the debt crisis of 2010/11. This trend continues to be primarily fueled by residential construction, which is bolstered by favorable financing options and strong demand in many countries. Other factors include the monetary policy adopted by the European Central Bank (ECB) as well as an increase in domestic migration and immigration. The German construction industry in particular grew at a record rate in 2017. The US construction sector was also able to continue its strong performance from the previous year, although growth has slowed somewhat recently. Overground construction was the main growth driver here.

Global construction equipment sales developed positively in 2017. According to Off-Highway Research, the majority of regional markets experienced growth. This global development was primarily driven by China, although the Indian market also continued to grow at a rapid pace. Following a rise of 11 percent in 2016, sales in Europe rose by a more moderate 2 percent. The Committee for European Construction Equipment (CECE) expects sales for Europe as a whole to increase by around 15 percent in 2017. According to CECE figures, China has for the first time again reported an increase after experiencing four particularly difficult years. At over 50 percent, this rise was unexpectedly high. Sales in North America rose by just single digits once the euphoria over the infrastructure subventions announced by Trump subsided. After a long dry spell, South America was finally able to report gains once again – with the exception of Brazil, where the market remains in a very poor state. In the Middle East, low oil and gas prices overall continue to depress sales, although early signs of improvement are starting to show.

Positive developments in the agricultural equipment market

In the agricultural sector, assessments of the economic situation – and thus of the willingness to invest among landholders – are closely linked to price trends for agricultural products and inputs, but also to political developments and the general competitive situation. The financial situation of agricultural holdings is influenced by a range of factors, including income (which itself is determined by variables such as harvests) and the cost of energy, fertilizer, feed and leasing agreements.

CHANGES IN GDP AND THE EUROPEAN CONSTRUCTION INDUSTRY 2017E



Source: Euroconstruct, November 2017.

Rising milk prices and a weak euro at the start of 2017 initially had a positive effect on developments in the agricultural equipment sector. However, the pace of growth was dampened somewhat towards the middle of the year due to modest harvest prospects in Central and Southern Europe. After three years of crisis, the industry in Germany experienced a significant upturn; according to early forecasts from the VDMA, a rise of 4 percent was recorded relative to the previous year. The global market grew by around 3 percent in total. Russia, South America and India were the main growth drivers here, with each country reporting double-digit growth rates. Japan and NAFTA countries continued to develop weakly, reporting downturns of 5 and 4 percent respectively.

General legal framework

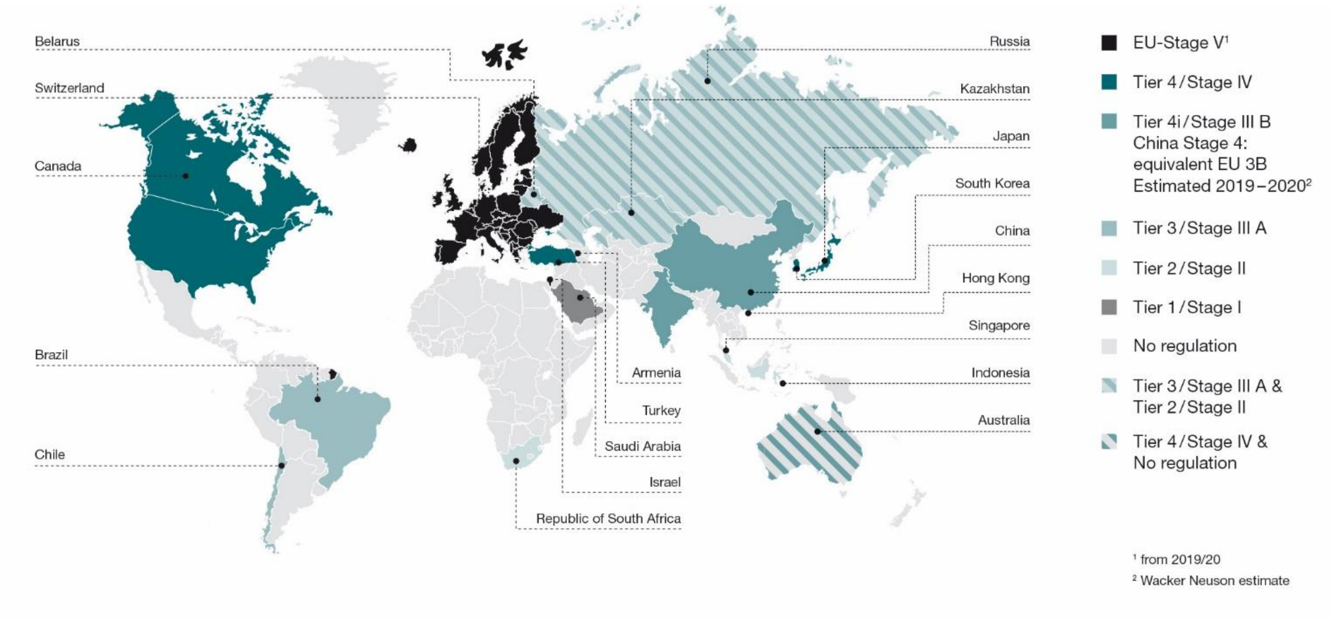
- Focus on protection for users and the environment
- Continued implementation of new technological requirements
- EU Stage V emissions standard approved for Europe

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

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

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

FIG. 1 Increasing intensification of emissions regulations for diesel engines



The figure shows a simplified overview of emissions regulations for diesel engines in non-road mobile machinery that are not harmonized at global level. Regulations are most stringent in Europe and the US. The stricter emissions regulations mandate a reduction in nitrogen oxide (NOx) and carbon monoxide (CO) levels as well as a reduction in particulate emissions. In some cases, this can only be done using a diesel particulate filter. The majority of machines produced by the Wacker Neuson Group are equipped with engines under 56 kW. The real challenge for the Group will come with the development of new machines required to meet new emissions regulations in Europe by 2019/2020. This is because different technical approaches will be required to meet different market requirements, for example the integration of diesel particulate filters and the use of urea. This level of complexity will result in significant challenges for development, production, logistics and sales.

On July 5, 2016, the European Parliament approved the next stage of emissions regulations for non-road mobile machinery. Emissions Stage V also covers power categories under 19 kW and over 560 kW for the first time. The new count and weight limits for particulate matter are even lower than the already strict US standards. These new limits apply to machinery introduced to the market from January 1, 2019 (power class <56 kW and ≥130 kW) and January 1, 2020 (power class ≥56 kW and <130 kW). In response to pressure from numerous stakeholder groups, the transition period initially set at just 18 months in the final draft was extended to 24 months in the approved version. → FIG. 1

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

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

Competitive position

- Differentiation from the competition through broad range of products, innovative strength and diversified sales channels
- Market position strengthened and expanded
- New strategic alliances forged

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

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

In addition, the Wacker Neuson Group operates in the agricultural equipment sector through its Weidemann brand. Weidemann-branded articulated wheel loaders and telescopic handlers enjoy a leading position in the Central European agricultural market. Kramer has also been expanding its dedicated sales network for the distribution of its all-wheel drive machines in the agricultural sector. In this sector, the Group competes with companies such as Schaeffer, Manitou and JCB.

A leading global manufacturer

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

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

Changes in the competitive landscape

Many of the key trends in the competitive landscape observed in previous years continued in fiscal 2017. A new trend has emerged, however, with companies showing significantly more investment interest in alternative drive technologies and digitalization.

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

A large number of takeovers and acquisitions have shaped the industry. Atlas Copco, for example, has been very active on this front. At the start of the year, the company announced that it was selling its road construction equipment division to the French Fayat Group. At the close of the year, the company then reported its plans to sell its compaction business to a fellow Swedish company, the Husqvarna Group. Moving in the opposite direction, Atlas Copco acquired the Brazilian centrifugal pump rental company Itubombas Locação Comércio Importação e Exportação Ltda, in 2017 in a bid to extend its reach in emerging markets. Manitou also strengthened its presence in emerging markets. The Group opened a factory in Brazil in 2016. In 2017, it then acquired the India-based business Terex Equipment Private Limited (TEPL).

A major takeover was completed by US tractor manufacturer John Deere, which acquired the German Wirtgen Group. This acquisition is aimed at bolstering the group's global growth strategy in the area of construction equipment.

United Rentals, one of the largest global rental companies for worksite technology based in North America, is acquiring Neff Rentals. This follows the acquisition of NES Rental Holdings, Inc., which was finalized in April 2017. Acquiring these two US companies will enable United Rentals to increase its presence in the US market while at the same time improving its technology know-how, infrastructure and cross-selling potential.

Strengthening competitive position through alliances and partnerships

Cologne-based engine manufacturer Deutz and Liebherr Machines Bulle S.A. will work together in future to develop four diesel engines for off-highway use. The companies aim to start production in 2019 to coincide with the introduction of the EU Stage V emissions standard. The two groups now supply each other with engines within the framework of this collaboration, which builds on the existing partnership between these two companies. Manitou and Yanmar have joined forces in the US market to distribute reconditioned engines, which are then brought to market via the Gehl and Mustang sales network. This enables Manitou to offer end customers a more cost-effective alternative to new engines with shorter lead times.

Increasing efficiency through restructuring measures

Multiple companies have decided to implement extensive restructuring measures. In January 2017, for example, Atlas Copco announced its plans to split the group into two companies. In future, the mining, infrastructure and raw materials business will operate under the name Epiroc. Back in 2016, Terex Cranes consolidated its US production activities into a single site in order to pool its resources. In 2017, the company closed two more sites – one in China and one in Germany. It also plans to cut a further 30 percent of its global workforce moving forward. Caterpillar also plans to make further job cuts. Following the closure of its factory in Gosselies, Belgium, announced in 2016, the company now plans to cut 210 jobs at its German factories in Lünen and Wuppertal.

Alternative drive technologies and digitalization

Digitalization and alternative drive technologies are also becoming increasingly important topics in key markets for the Wacker Neuson Group. In October 2017, John Deere announced that it was moving into technologies and applications in the field of artificial intelligence. As part of its strategy, the company acquired the Blue River Technology start-up. Deutz AG is modernizing in two key areas: The Deutz service portal went online in October, providing customers 24/7 access to its service offering. At the same time, the company is investing in modern drive technologies and has acquired Torqueedo GmbH, a German manufacturer of electric drives. This move will enable Deutz to develop hybrid and fully electric solutions for off-highway use in future. Other companies are also following this trend. US engine manufacturer Cummins has acquired battery producer Brammo Inc. The company aims to harness Brammo's expertise in electrified solutions and expand into new markets. Volvo Construction Equipment is building a dedicated test center for electric mobility and has announced that it will be investing around EUR 20 million in the project.

Market position further strengthened

Taking the revenue developments of listed competitors as an indicator of performance, the Wacker Neuson Group was able to strengthen its market share both nationally and internationally in 2017 and also bolster its position in selected regions. This was aided in particular by the Group's solid position in Europe and the US. The Group is able to benefit from these positive market trends thanks to its innovative strength and flexibility as well as ever increasing diversification across target markets, cross-selling between product areas and its strong financial position and independence.

Strategic alliances

The Wacker Neuson Group entered into five new strategic alliances in 2017:

John Deere

Group affiliate Kramer-Werke GmbH and John Deere GmbH & Co. KG, a member of the Deere & Company Group, USA, entered into a strategic alliance in 2017 covering the sale of Kramer-branded telescopic handlers and wheel loaders for the agricultural sector. The agreement between Kramer and John Deere covers the sale of Kramer-branded compact equipment (the "green line") to customers in the agricultural industry. Featuring the Kramer design and brand, the machines are distributed via the John Deere dealer network. The market for material handling products in the agricultural sector is growing rapidly. Kramer is looking to gain broad and lasting access to the agricultural market through this close, future-focused collaboration with the John Deere dealer network. John Deere recommends Kramer to its sales partners as the preferred supplier for 13 all-wheel drive, compact wheel loaders and tele wheel loaders, 9 telescopic handlers (6–9 meter lifting heights) and for a wide selection of attachments, accessories and spare parts. The products are developed and manufactured at the Kramer site in Pfullendorf. Operations under the new partnership started in the second half of the year and has been developing positively right from the word go. The aim of the agreement is to establish a long-term collaboration between the two companies.

The strategic alliance between the Kramer Group brand and agricultural equipment manufacturer Claas came to an end at the close of fiscal 2017. In June 2015, the two partners reached a mutual agreement to terminate their alliance. Claas now collaborates with Liebherr in the area of telescopic handlers.

ISEKI

In 2017, ISEKI & Co., Ltd., a Japanese agricultural equipment manufacturer specializing in tractors, farming machinery and gardening equipment, and the Weidemann affiliate entered into a strategic sales alliance. ISEKI distributes Weidemann-branded wheel loaders and telescopic handlers via its extensive sales network in Japan. The collaboration gives Weidemann products access to the Japanese market. ISEKI is planning to expand distribution of agricultural machinery in general in Japan. Over the coming years, many Japanese agricultural organizations will evolve to become modern, mechanized landholdings. Efficiency will be a key priority here and wheel loaders will be the first machines required for this transition. Additional compact equipment from Weidemann could then be added to the portfolio in future.

Everdigm

In May 2017, Wacker Neuson signed an agreement with a new dealer for compact equipment in South Korea. The Korean Everdigm Corporation is a local market leader for concrete pumps and attachments. The company also manufactures construction equipment, mining equipment and special-purpose vehicles. The sales alliance will initially focus on wheel loaders and then gradually expand to include excavators and other construction equipment.

MHE-Demag

MHE-Demag manufactures cranes, hoists and warehousing equipment. The company distributes its products in the ASEAN region via a network of over 60 sales and service locations. Wacker Neuson and MHE-Demag recently announced that they will be entering into a collaboration. This will enable Wacker Neuson to further expand its brand presence and product reach in the region. At the start of December 2017, a range of Wacker Neuson track and mobile excavators, telescopic handlers, wheel loaders and wheel dumpers were unveiled at a launch event in Parañaque City, in the Philippines. MHE-Demag is headquartered in Singapore and operates 11 production facilities.

Randon

The Wacker Neuson Group and Brazilian transport and commercial vehicle manufacturer Randon have formed a strategic alliance covering the manufacture of backhoe loaders. The compact machines are manufactured by Randon at its production site in the Brazilian city of Caxias do Sul and distributed in South America via the Wacker Neuson sales network. This enables Wacker Neuson to offer backhoe loaders in the 6- to 7-ton weight class tailored specifically to the needs of the South American market.

Wirtgen/Hamm

Wacker Neuson formed a strategic alliance in 2015 with Hamm AG. A member of the Wirtgen Group, Hamm manufactures tandem rollers in the 1.8- to 4.5-ton category and compactors weighing up to 12 tons in line with technical and design specifications developed by Wacker Neuson. This future-oriented cooperation complements the Wacker Neuson product portfolio, enabling Wacker Neuson to round off its offering in the soil and asphalt compaction segment.

Caterpillar

Wacker Neuson has been developing and manufacturing mini excavators with a total weight of up to three tons for Caterpillar since 2010. Caterpillar distributes these machines globally under its own brand via its sales network, with the exception of Japan. In 2016, the Wacker Neuson Group and Caterpillar announced that they would be terminating their strategic alliance for mini excavators weighing under three tons as of May 31, 2018. However, Wacker Neuson plans to continue manufacturing and delivering the full scope of mini excavators for Caterpillar until the end of 2018 as part of an OEM delivery agreement. In addition, the Group will most likely provide Caterpillar with selected mini excavator models until the end of 2019.

Forming alliances will remain an important strategy for the Group in future and an effective means of opening up new sales channels and complementing its own portfolio with selected products.

Business trends

- Revenue reaches new record high
- Strong growth in core markets
- Significant rise in profitability

General statement on business performance

Reflecting the successful implementation of its global growth strategy and the generally positive situation in the core markets of Europe and North America, the Wacker Neuson Group reported positive business development in 2017.

Group revenue and profit grew significantly. Revenue rose to a new record high of EUR 1,533.9 million. Nominal revenue was thus 12.7 percent higher than the previous year (2016: EUR 1,361.4 million). Adjusted to discount currency effects, this corresponds to a rise of 13.4 percent.

In Europe, revenue rose 10.7 percent to EUR 1,129.8 million (2016: EUR 1,020.7 million). The Group reported its strongest gains in Germany and France, as well as in Austria, Poland, Denmark, Spain and Italy. A much more upbeat mood in the European agricultural sector also fueled strong growth in this region.

Revenue for the Americas rose 22.5 percent to EUR 357.5 million (2016: EUR 291.8 million). The Group reported major gains above all in North America. This was due, on the one hand, to the need among North American rental companies to replenish stocks of worksite technology, including generators and light towers, after the market had been flooded by overcapacity from the oil and gas industry during the previous two years. On the other hand, production of skid steer loaders at the Group's US factory was gradually expanded. North America accounts for over 70 percent of the global market for skid steer loaders. Developed specifically by Wacker Neuson for the American market, these machines are key enablers in building successful business relationships with dealers in the region, many of whom view skid steer loaders as must-have products in their supplier portfolios. Sales of compact equipment such as excavators and telescopic handlers also increased markedly.

In the Asia-Pacific region, revenue decreased 4.7 percent to EUR 46.6 million compared to the prior-year quarter (2016: EUR 48.9 million). The initial stocking of new dealers with compact equipment in the prior year had pushed the 2016 baseline up.

EBIT rose 48.0 percent to EUR 131.4 million (2016: EUR 88.8 million). This corresponds to an EBIT margin[1] of 8.6 percent (2016: 6.5 percent). The marked improvement in EBIT is primarily attributable to the rise in revenue, increased productivity at the production sites and streamlined processes and cost structures.

[1] EBIT margin = EBIT/revenue.

Comparison between actual and projected performance
In its original forecast from March 2017, the Executive Board expected Group revenue to amount to between EUR 1,400 and 1,450 million and the EBIT margin to range between 7.5 and 8.5 percent. After publishing its results in August for the first half of the year, the company raised its revenue forecast to between EUR 1,450 and 1,500 million and reaffirmed that it expected the EBIT margin to reach the middle of the range given in the original forecast. Bolstered by extremely strong performance in the third quarter, the company projected that revenue and the EBIT margin would reach the upper end of the quoted ranges. Revenue and earnings subsequently developed in line with the raised forecast.

	Forecast March 2017	Adj. forecast Aug. 2017	Adj. forecast Nov. 2017	Achieved 2017
Revenue	€ 1.40 to 1.45 billion	€ 1.45 to 1,50 billion	upper end of range or above	€ 1.53 billion
EBIT margin	7.5 to 8.5%	middle of range	upper end of range	8.6%

Long-term financial basis
In February 2017, Wacker Neuson SE successfully placed a Schuldschein loan agreement in the amount of EUR 125 million with a fixed interest rate of 0.69 percent per annum and a term of five years. Part of the funds was used to repay a tranche of a Schuldschein loan agreement placed in 2012 in the amount of EUR 90 million which was due in February 2017. On February 27, 2018, the Wacker Neuson Corporation, USA (a wholly owned affiliate of Wacker Neuson SE) placed a Schuldschein loan agreement in the amount of USD 100 million (→ page 38). In addition, Wacker Neuson SE replaced its previous short-term bank credit lines with three medium-term bank credit lines. This has secured the Group's financing in the long term, providing it with a strong foundation for implementing its 2022 growth strategy.

Healthy financials and assets
With a high equity ratio of 69.0 percent, the Group's financials and assets remain strong (2016: 69.1 percent). Gearing fell from 18.8 percent in 2016 to 13.3 percent. The Group's efforts to optimize inventory management helped to significantly reduce net working capital in 2017, which had a positive impact on the cash flow situation. As a result, free cash flow almost trebled to EUR 99.0 million (2016: EUR 35.4 million).

Changes in the composition of the executive bodies
On January 1, 2017, Mr. Wilfried Trepels took on the position of Chief Finance Officer (CFO) of Wacker Neuson SE. He is responsible for the areas of controlling, accounting, Group auditing and IT. He is also responsible for real estate as of September 1, 2017. Mr. Trepels succeeded Günther C. Binder, who stepped down from his position on the Executive Board on December 31, 2016.

Mr. Alexander Greschner became Chief Sales Officer (CSO) on January 10, 2017. He is responsible for the global sales, service, logistics and marketing activities of the Group. Prior to this, the previous Chief Sales Officer (CSO) Mr. Jan Willem Jongert and the Supervisory Board reached an amicable mutual agreement for Mr. Jongert to leave the company earlier than planned. On January 1, 2018, Mr. Trepels took over the new corporate supply chain area (previously logistics) from Mr. Greschner.

On September 1, 2017, Mr. Martin Lehner succeeded Mr. Cem Peksaglam as CEO of Wacker Neuson SE. Mr. Peksaglam's contract ended in August 2017. Mr. Lehner was previously Deputy CEO and CTO responsible for research and development, procurement, production and quality. In addition to these existing areas, Mr. Lehner is now responsible for strategy, investor relations, corporate communication, sustainability, legal and compliance, and HR.

Mr. Hans Haßlach stood down from his position as employee representative on the Supervisory Board on June 11, 2017 and entered retirement. Mr. Christian Kekelj replaced him on the Supervisory Board on June 12, 2017.

Changes to company organization and structure
At the start of 2017, the Group moved its research and production activities for compaction equipment to a single location. A new research and development center was built specifically for this purpose at the Reichertshofen site. In total, the Group invested around EUR 10 million in the new building in 2016.

In November 2016, the Group started construction of a new assembly plant in Pinghu, near Shanghai, China. Initial pilot production of the 1.7-ton excavator model tailored to local market needs began in December 2017. Series production started in January 2018.

In 2018, production of construction equipment for the Asian market will also be relocated from the production facility in Manila in the Philippines to Pinghu. The site in the Philippines will be closed at the end of 2018. Furthermore, the sales and logistics functions previously based in Shanghai will be relocated to the site in Pinghu.

The Group will also consolidate sites in North America during the course of 2018 to further optimize production capacities and logistics workflows. Products that were previously manufactured at the site in Norton Shores, Michigan, US, will be relocated to the facility in Menomonee Falls, Wisconsin, US. This means that the Group will operate just one production site in the US in future.

To improve core processes and increase efficiencies moving forward, the Group decided in 2017 to close its logistics companies in Germany and the US and to integrate the logistics function into the production and sales company in 2018.

Please refer to the Notes to the Consolidated Financial Statements for information on participating interests and the consolidation structure. → Page 90

Profit, financials and assets

The report on profit, financials and assets covers a total of 58 consolidated Group companies (2016: 58) including the holding company, Wacker Neuson SE.

Profit

- Revenue at record high thanks to positive developments in core markets of Europe and North America
- Much more upbeat mood in agricultural sector
- Increased profitability

Buoyed by positive market developments in Europe and North America, revenue for the period under review increased by 12.7 percent to EUR 1,533.9 million (2016: EUR 1,361.4 million). Adjusted to discount currency effects, this corresponds to a rise of 13.4 percent. → FIG. 2

The following factors had a particular impact on revenue:

- Upturn in the European construction industry, above all in Central Europe
- Signs of recovery in Southern European countries such as Italy and Spain
- Upswing in business with major European customers
- Increased willingness to invest across the European agricultural sector
- Strong start to collaboration with John Deere covering Kramer-branded agricultural equipment
- Dynamic demand for skid steer loaders manufactured in the US
- Sales of compact equipment produced in Europe on the rise in North America
- The need among North American rental companies to replenish stocks of worksite equipment
- After a weak previous year, a resurgence in demand in regions dependent on raw material prices, including Canada, South America, Australia and Russia

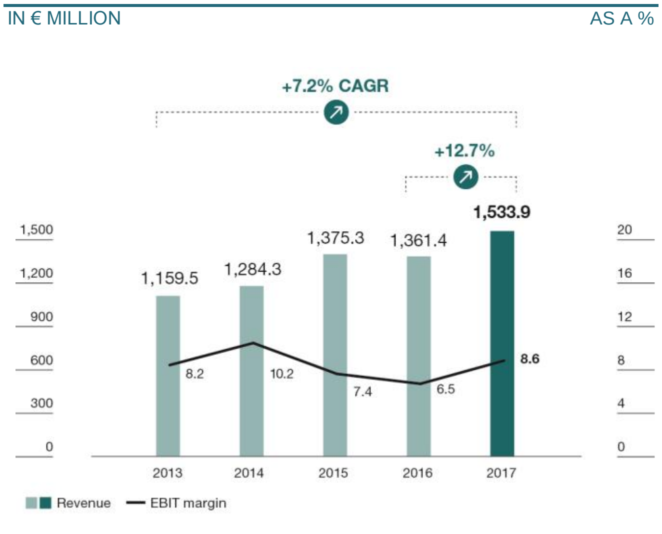
The rise in revenue was flanked by a major increase in earnings. Profit before interest and tax (EBIT) rose 48.0 percent to EUR 131.4 million. This corresponds to an EBIT margin of 8.6 percent (2016: EUR 88.8 million; 6.5 percent).

The following factors in particular had an impact on profit in fiscal 2017:

- Significant rise in capacity utilization at production sites compared with the previous year
- Economies of scale taking effect
- Positive contribution to earnings from skid steer loaders manufactured in the US following the resolution of start-up problems at the beginning of the year
- Increased sales of higher-margin agricultural machines
- Targeted improvements in internal Group processes and increased productivity
- Operating costs increase at a slower rate than earnings

FIG. 2 Development of revenue and profit

REVENUE AND MARGIN DEVELOPMENT 2013 TO 2017



- Group revenue has increased by an average of 7.2 percent year-on-year since 2013, rising by as much as 12.7 percent in 2017 relative to the previous year.
- In 2015 and 2016, profitability was negatively impacted by weak demand in industries such as the agriculture sector, the North American construction industry and the oil and gas industry.
- The Group's EBIT margin rose by more than two percentage points to 8.6 percent in 2017.

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

QUARTER-ON-QUARTER COMPARISON: REVENUE AND EBIT MARGIN 2013 TO 2017

IN € MILLION AS A %

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

Profit developments in detail

Despite higher prices for raw materials and purchased parts, the cost of sales grew at a slightly slower rate than revenue, increasing 11.5 percent to EUR 1,097.4 million (2016: EUR 983.9 million).

Gross profit thus rose to EUR 436.5 million (2016: EUR 377.5 million). This corresponds to a gross profit margin[1] of 28.5 percent (2016: 27.7 percent). In particular, increased capacity utilization and economies of scale had a positive impact here. However, profit was dampened by the sale of old inventory at discounted prices, which was implemented as part of planned measures to streamline net working capital. Write-downs on inventory as well as expenses related to Group restructuring measures also had a negative impact on gross profit. Furthermore, a change in the method for evaluating inventories resulted in a one-off increase in gross profit in the amount of EUR 4.8 million in the previous year.

Sales, general and administrative (SG&A) expenses and research and development (R&D) expenses grew 4.9 percent to EUR 311.5 million (2016: EUR 296.9 million). The cost-to-revenue ratio decreased to 20.3 percent (2016: 21.8 percent).

Sales expenses increased by 2.9 percent to EUR 199.1 million (2016: EUR 193.5 million). This rise was primarily fueled by key strategic measures aimed at expanding international sales activities, in particular in Europe and North America, as well as increased expenses for the spare parts logistics center in Nuremberg.

Research and development costs also grew 2.9 percent to EUR 35.8 million (2016: EUR 34.8 million). The company increased investments in new product development to secure its long-term success. It also had to increase its development effort to ensure compliance with new regulations governing product exhaust gas emissions. A total of EUR 13.4 million in development costs was capitalized in 2017 (2016: EUR 11.4 million). The research and development ratio, including capitalized expenditure, amounted to 3.2 percent (2016: 3.4 percent) and thus developed in line with the Group's target corridor.

General administrative costs rose by 11.7 percent to EUR 76.6 million (2016: EUR 68.6 million). This includes one-off expenses for compensation and pensions. The administrative cost ratio thus remained unchanged at 5.0 percent (2016: 5.0 percent).

At EUR 10.9 million, other operating income remained at the prior-year level (2016: EUR 10.8 million), whereas other operating expenses rose to EUR 4.5 million (2016: EUR 2.6 million), primarily attributable to special effects resulting from impairment losses on a property in Australia earmarked for sale as part of regional restructuring measures as well as up-front costs related to the planned sale of a property at the Munich site that is not required for operational purposes.

Profit before interest, tax, depreciation and amortization (EBITDA) rose by 31.1 percent to EUR 207.2 million, compared with EUR 158.1 million in the prior-year period. The EBITDA margin[2] improved to 13.5 percent (2016: 11.6 percent).

Write-downs[3] in 2017 amounted to EUR 43.2 million and were thus 6.1 percent higher than in the previous year (2016: EUR 40.7 million). This was due to investments[3] in strategic growth. Write-downs on the Group's rental equipment amounted to EUR 32.6 million (2016: EUR 28.6 million).

[1] Gross profit margin = gross profit/revenue.
[2] EBITDA margin = EBITDA/revenue.
[3] Based on property, plant and equipment and intangible assets. This does not include the Group's own rental equipment.

Profit before interest and tax (EBIT) rose 48.0 percent to EUR 131.4 million. The EBIT margin came to 8.6 percent (2016: EUR 88.8 million; 6.5 percent).

Profit for 2017 was impacted by expenses for one-off effects and restructuring measures in the total amount of EUR 12.6 million. EUR 8.2 million of which is attributable to one-off effects resulting from impairment losses on old inventory, reorganization of the Executive Board and up-front costs related to the planned sale of a property at the Munich site that is not required for operational purposes. In addition, the Group recognized expenses for restructuring foreign affiliates in the amount of EUR 4.9 million in 2017. The total restructuring item for fiscal 2017 amounted to EUR 4.4 million. This includes proceeds from the reversal of a provision for restructuring measures from 2016 in the amount of EUR 0.5 million that was no longer required (provision 2016: EUR 0.7 million). In the previous year, EBIT was increased by a positive effect resulting from a change in the method for evaluating inventories (EUR 4.8 million).

The financial result amounted to EUR -6.0 million (2016: EUR -7.4 million). For further information on the financial result, refer to the "Financial position" section and item 5, "Financial result" in the Notes to the Consolidated Financial Statements. → Page 98

Profit before tax (EBT) amounted to EUR 125.4 million and thus increased by 54.1 percent (2016: EUR 81.4 million). Tax expenditure came to EUR 37.9 million (2016: EUR 24.2 million), which corresponds to a Group tax rate of 30.2 percent (2016: 29.7 percent). Please refer to item 6, "Taxes on income" in the Notes to the Consolidated Financial Statements for further information. → Page 99

Group profit is recognized at EUR 87.5 million, which represents an increase of 53.0 percent (2016: EUR 57.2 million). Net return on revenue rose sharply to 5.7 percent (2016: 4.2 percent).

70.14 million ordinary shares were in circulation at all times during the fiscal year. This resulted in earnings per share (diluted and undiluted) of EUR 1.25 (2016: EUR 0.81).

Quarterly developments

The figure above shows quarterly revenue and profit for 2017 and 2016. Revenue for the first quarter increased by 7.0 percent. The pace of growth accelerated significantly in the second and third quarters, with the company reporting gains of 11.5 and 20.0 percent respectively compared with the prior-year quarters. Revenue for the fourth quarter rose by 12.5 percent relative to the prior-year figure. The company's performance in the fourth quarter is described in more detail under "Developments in Q4 2017". → Page 44

Financial position

- Investments secure long-term growth prospects
- Free cash flow almost trebled due to the rise in profit and systematic management of net working capital

Principles and targets of financial management

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

The company's aim is to fund day-to-day operations with cash flow from operating activities. Surplus funds are invested in safe, highly liquid instruments where they earn the prevailing interest rates. Depending on the currency in question, the interest rates may also have been negative in 2017.

The Wacker Neuson Group uses standard derivative financial instruments such as foreign exchange forward contracts and foreign exchange swaps to minimize risks.

In 2012, Wacker Neuson SE placed a Schuldschein loan agreement with cooperative, savings and private banks. This loan agreement was used to convert short-term borrowings into long-term borrowings, thus optimizing capital structure. Tranche I of the Schuldschein loan agreement in the amount of EUR 90 million was due in February 2017. A new Schuldschein loan agreement was issued.

KEY FINANCIAL INSTRUMENTS

	Amount in million	Due	Interest rate as a %
Schuldschein loan 2012 agreement (Tranche II)	€ 29.9	2019	3.66
Schuldschein loan 2017	€ 124.9	2022	0.69
Schuldschein loan 2018 agreement (Tranche I)	USD 77.4	2023	3.97
Schuldschein loan 2018 agreement (Tranche II)	USD 22.5	2025	4.26
Borrowings from banks	€ 20.3	n/a	variable

Ensuring payment flow through liquidity management

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

Free cash flow almost trebled

As planned, the Wacker Neuson Group financed day-to-day operations with cash flow from operating activities during the year under review. Cash flow from operating activities amounted to EUR 138.0 million and was thus significantly higher than the previous year (2016: EUR 79.4 million). This rise was primarily due to the marked increase in profit before tax as well as optimized structures for inventory and trade receivables and payables. With regards to this last factor, the Group is benefiting from its efforts to adjust payment terms with suppliers.

Cash flow from investment activities amounted to EUR -39.0 million and was thus lower than in the previous year (2016: EUR -44.0 million).

Cash flow from financing activities increased to EUR -88,2 million (2016: EUR -42.8 million). This was due to the repayment of loans. In 2017, the company made a dividend payout of EUR -35.1 million, which is the same figure as in the previous year (2016: EUR -35.1 million).

At the closing date, 51.8 percent of liabilities were current and 48.2 percent non-current.

Free cash flow corresponds to cash flow from operating activities less cash flow from investment activities[1]. At EUR 99.0 million, free cash flow nearly trebled (2016: EUR 35.4 million). This was due to the significant rise in profit, systematic management of net working capital and a reduction in investments.

Please refer to item 30, "Cash flow statement" in the Notes to the Consolidated Financial Statements for further information. → Page 122

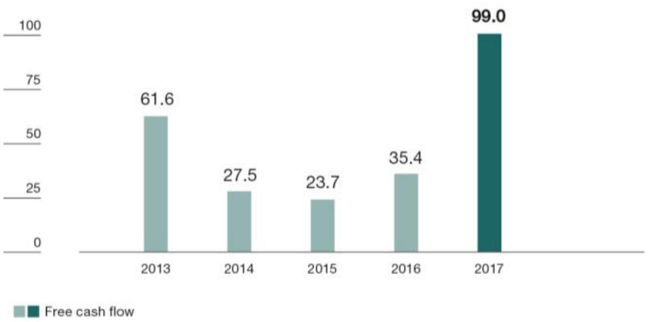
Liquidity situation

The Wacker Neuson Group was able to meet liquidity needs in 2017 through a combination of existing liquid assets and credit lines extended by banks. At the closing date, less than ten percent of these bilateral credit lines had been drawn. Net debt decreased significantly. There were no noticeable changes to the Group's credit line structure. For further details on the terms and interest conditions of credit lines, refer to item 21 "Financial liabilities" in the Notes to the Consolidated Financial Statements. → Page 113

The Group had liquid funds to the value of EUR 27.3 million (2016: EUR 17.6 million). This was due to the repayment of loans. → FIG. 3 In the main, liquid funds are held by companies that cannot participate in the existing cash pool structures for legal reasons. The Group is committed to exploring legal options for improving this situation. At the close of the fiscal year, net financial debt expressed as a ratio of EBITDA amounted to 0.7 (2016: 1.3) and thus underscores the company's strong financial situation. Total debt[2] expressed as a ratio of EBITDA amounted to 1.1 (2016: 1.7). As such, the Group is able to repay its debts relatively rapidly from its day-to-day business activities.

FREE CASH FLOW 2013 TO 2017[1]

IN € MILLION



[1] Please refer to item 30 in the Notes to the Consolidated Financial Statements for further information on the cash flow statement. → Page 122

IN € MILLION

	2017	2016	2015	2014	2013
Cash flow from operating activities	**138.0**	**79.4**	**78.5**	**63.5**	**85.4**
Purchase of property, plant and equipment	-29.5	-32.3	-42.3	-24.5	-19.7
Purchase of intangible assets	-17.9	-16.2	-17.7	-16.5	-15.0
Proceeds from the sale of property, plant and equipment, intangible assets	8.4	4.5	5.0	5.0	10.9
Change in consolidation structure	–	–	0.2	–	–
Cash flow from investment activities	**-39.0**	**-44.0**	**-54.8**	**-36.0**	**-23.8**
Free cash flow	**99.0**	**35.4**	**23.7**	**27.5**	**61.6**

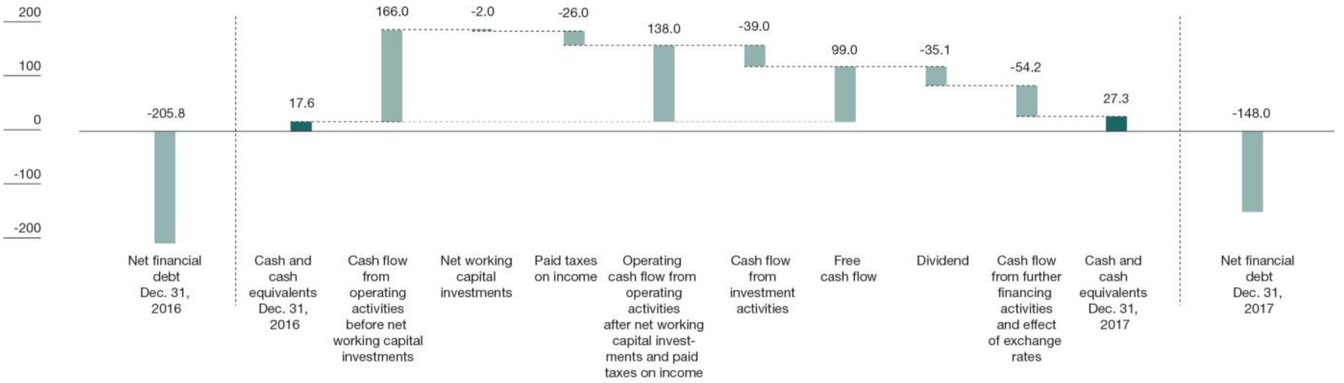
Some items in the consolidated cash flow statement have been adapted compared with previous years. Values since 2013 have been adjusted accordingly. Please refer to item 30 in the Notes for further information.

[1] If available, including changes to the consolidation structure plus amounts accruing from the issue of new shares including the costs of raising capital.

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

FIG. 3 Liquidity situation

IN € MILLION



As planned, the Wacker Neuson Group was able to finance day-to-day operations in 2017, drawing on a significantly higher cash flow from operating activities. The dividend payout to shareholders amounted to EUR 35.1 million in 2017. Available liquidity came to EUR 27.3 million at December 31, 2017. Net financial debt decreased markedly to EUR 148.0 million (2016: EUR 205.8 million).

Refinancing developments

The Wacker Neuson Group benefits from its outstanding credit rating, which is also acknowledged by the banks. In 2017 Deutsche Bundesbank again confirmed that Wacker Neuson SE was eligible for credit. The company aims to maintain its independence, directly sourcing its own diverse refinancing lines on the market. To this end, a Schuldschein loan agreement in the amount of EUR 125 million was placed on February 27, 2017. On February 27, 2018, the Wacker Neuson Corporation, USA (a wholly owned affiliate of Wacker Neuson SE) placed a Schuldschein loan agreement in the total amount of USD 100 million. → Page 38

Substantial investments for future growth

The Wacker Neuson Group again made substantial investments in future growth during fiscal 2017. In the period under review, the Group invested EUR -47.4 million (2016: EUR -48.5 million), EUR -29.5 million of which was channeled into property, plant and equipment (2016: EUR -32.3 million) and a further EUR -17.9 million into intangible assets (including capitalization of research and development activities and software; 2016: EUR -16.2 million). This figure does not include investments in the Group's own rental equipment in Europe, which came to EUR -71.7 million in 2017 (2016: EUR -58.4 million). Total investments thus developed in line with the Group's projected sum of EUR 120 million.

FIG. 4 Cash flow and investments

INVESTMENTS, WRITE-DOWNS 2013 – 2017[1]

IN € MILLION

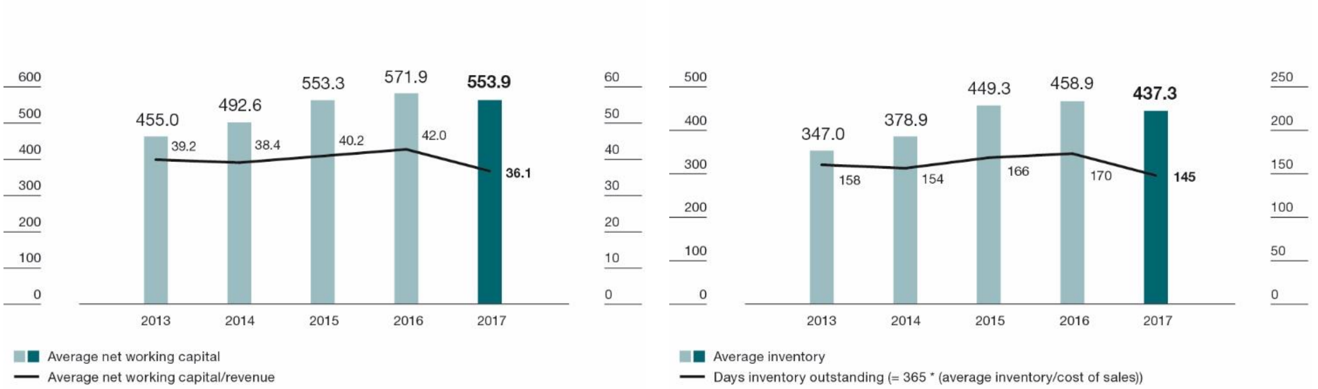
- In the past five years, the Group has invested around EUR 230 million[1].
- At EUR 47.4 million, investments[1] in 2017 were EUR 4.2 million higher than write-downs[1] which came to EUR 43.2 million.
- Once again, Group investments exceeded write-downs in 2017 (ratio of investments[1] to write-downs[1]: 1.1). This underscores the Group's growth strategy.

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

FIG. 5 Development of net working capital and inventory

NET WORKING CAPITAL 2013 TO 2017 — IN € MILLION / AS A %

INVENTORIES 2013 TO 2017 — IN € MILLION / IN DAYS



Through the systematic management of net working capital, the ratio of net working capital to revenue fell from 42.0 percent to 36.1 percent. This is the lowest figure in the last five years. Inventory levels decreased significantly despite the rise in revenue. Days inventory outstanding improved to 145 days. In the medium term, the Group aims to achieve a net working capital ratio of ≤ 30 percent and days inventory outstanding of < 130 days.

The ratio of investments in tangible and intangible assets to write-downs amounted to 1.1 (2016: 1.2) and thus underscores the Group's commitment to further growth. → FIG 4

Net working capital developments

Targeted inventory management is crucial for meeting the needs of the global market. The company needs to maintain higher stock levels in light of the increased complexity of managing product parts and model versions, which is partly due to amended emissions legislation governing construction equipment. The Group's inventory levels of finished products are relatively high in comparison with competitors as it distributes its products in Europe via its own affiliates, as well as its sales and service stations. This is a crucial difference compared to the "dealer-only" model operated by almost all of its competitors, which means that competitor inventory machines are reported in their dealers' balance sheets.

The steps outlined by the Executive Board to reduce the share of net working capital to revenue in the medium term are increasingly taking effect. This has resulted in a reduction in net working capital despite the marked rise in revenue. Average net working capital amounted to EUR 553.9 million (2016: EUR 571.9 million). Average net working capital expressed as a percentage of revenue for the year improved markedly at 36.1 percent (2016: 42.0 percent). → FIG. 5

Despite the clear rise in revenue, the company managed to reduce inventory levels by 2.6 percent to EUR 431.4 million (2016: EUR 443.1 million). Days inventory outstanding decreased 15 percent from 170 to 145 days.[1] At the same time, the structure of inventory improved. On the one hand, levels of old inventory fell significantly. On the other hand, the Group produced inventory for existing orders for the following year in the fourth quarter of 2017.

Trade payables grew at an above-average rate of 46.1 percent to EUR 128.0 million (2016: EUR 87.6 million) – not least due to the Group's efforts to adjust payment terms. The range for payables rose from 31 to 36 days.[2] Trade receivables rose by 10.0 percent to EUR 235.1 million (2016: EUR 213.8 million). At 53 days, the range remained at the same level as the previous year.[3]

IN € MILLION

	2017	2016	2015	2014	2013
Inventory	431.4	443.1	474.6	424.0	333.8
+ Trade receivables	235.1	213.8	180.0	173.3	164.0
- Trade payables	128.0	87.6	80.1	65.2	44.7
Net working capital	538.5	569.3	574.5	532.1	453.1
Average net working capital = (opening + closing)/2	553.9	571.9	553.3	492.6	455.0
Average net working capital to revenue ratio	**36.1%**	**42.0%**	**40.2%**	**38.4%**	**39.2%**

[1] Note on calculation: Average inventory levels / cost of sales * 365 days.
[2] Note on calculation: Average trade payables / cost of sales * 365 days.
[3] Note on calculation: Average trade receivables / revenue * 365 days.

Return on capital employed

Despite the clear rise in revenue, capital employed decreased by 3.2 percent to EUR 1,311.9 million (2016: EUR 1,355.6 million).[1] This was attributable to the optimization of net working capital and a reduction in property, plant and equipment.

Fueled by the significant rise in profit, ROCE I (return on capital employed before tax) rose from 6.6 percent in the previous year to 9.9 percent in 2017. ROCE II (after tax) improved by 2.3 percent to 6.9 percent (2016: 4.6 percent).

CALCULATING ROCE I AND II

IN € MILLION

	2017	2016	2015	2014	2013
EBIT	**131.4**	**88.8**	**102.4**	**130.4**	**94.7**
NOPLAT[1] = EBIT – (EBIT x tax rate)	**91.7**	**62.4**	**70.0**	**92.3**	**66.3**
EBT	125.4	81.4	97.5	130.1	88.0
Profit for the period	87.5	57.2	66.7	92.1	61.5
Non-current assets	**757.1**	**773.0**	**754.0**	**730.0**	**709.9**
Other long-term financial assets	-29.9	-24.5	-10.8	-16.2	-10.5
Deferred tax liabilities	-31.6	-30.8	-33.5	-33.2	-33.1
Assets used in business	**695.6**	**717.7**	**709.7**	**680.6**	**666.3**
Current assets	**858.8**	**807.8**	**798.1**	**717.5**	**612.5**
Other short-term financial assets	-8.3	-2.5	-2.8	-5.1	-2.1
Cash and cash equivalents	-27.3	-17.6	-25.0	-14.2	-15.5
Trade payables	-128.0	-87.6	-80.1	-65.2	-44.7
Short-term provisions	-16.9	-15.7	-13.1	-12.8	-12.9
Current tax payables	-1.0	-1.8	-3.2	-1.4	-0.3
Other current liabilities	-60.9	-44.7	-53.1	-50.4	-37.5
Net working capital in a broader sense	**616.4**	**638.0**	**620.8**	**568.4**	**499.5**
Capital employed	**1,311.9**	**1,355.6**	**1,330.5**	**1,249.2**	**1,165.7**
Average capital employed	**1,333.8**	**1,343.1**	**1,289.9**	**1,207.5**	**1,016.0**
Derivation via equity and liabilities					
Equity	1,114.8	1,092.5	1,069.1	1,016.2	939.3
Long-term financial borrowings	155.0	30.0	124.4	126.6	130.6
Long-term provisions	54.7	54.3	48.2	49.4	39.5
Short-term borrowings from banks	20.3	190.5	99.3	66.7	61.7
Current portion of long-term borrowings	–	2.9	0.4	0.4	0.4
Other short-term financial liabilities	32.7	30.0	27.7	25.3	22.2
Other long-term financial assets	-29.9	-24.5	-10.8	-16.2	-10.5
Cash and cash equivalents	-27.3	-17.6	-25.0	-14.2	-15.5
Other short-term financial assets	-8.3	-2.5	-2.8	-5.1	-2.1
Capital employed	**1,311.9**	**1,355.6**	**1,330.5**	**1,249.2**	**1,165.7**
Capital employed as a % of revenue	85.5%	99.6%	96.7%	97.3%	100.5%
Average capital employed as a % of revenue	87.0%	98.7%	93.8%	94.0%	87.6%
ROCE I	**9.9%**	**6.6%**	**7.9%**	**10.8%**	**9.3%**
(EBIT/average capital employed)					
ROCE II	**6.9%**	**4.6%**	**5.4%**	**7.6%**	**6.5%**
(NOPLAT/average capital employed)					

[1] NOPLAT: Net Operating Profit Less Adjusted Taxes.

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

Assets

- Solid balance sheet structure underpins further growth
- High equity ratio compared with industry peers
- Gearing significantly lower than the previous year

The balance sheet total rose 2.2 percent during the fiscal year to EUR 1,615.9 million (2016: EUR 1,580.8 million).

Assets decreased to EUR 681.8 million (2016: EUR 708.2 million). At December 31, 2017, goodwill amounted to EUR 237.4 million (2016: EUR 238.6 million). At EUR 125.6 million, other intangible assets were slightly higher than the previous year (2016: EUR 124.9 million).

Due to a targeted decrease in inventory, the value of finished products fell from EUR 343.2 million to EUR 320.6 million in 2017. However, current assets rose to EUR 858.8 million (2016: EUR 807.8 million). This was primarily fueled by the rise in rental equipment and the increase in trade receivables caused by the upswing in business.

After re-evaluating its business model, the Group decided to recognize rental equipment as a separate item under current assets (previously recognized under property, plant and equipment). This was done to improve transparency and aid understanding. Please refer to the section on accounting and valuation methods in the Consolidated Financial Statements for further information. → Page 92

Strong return on equity plus high equity ratio

Profit for the period increased equity to EUR 1,114.8 million (2016: EUR 1,092.5 million). The equity ratio amounted to 69.0 percent (2016: 69.1 percent). It thus remains at a high level compared with that of industry peers. The company's share capital remained unchanged at EUR 70.14 million. The termination of the partnership with agricultural equipment manufacturer Claas and the start of the collaborative engagement with John Deere resulted in shifts in shareholdings and a change in the shareholders of Kramer-Werke GmbH, an affiliate of Wacker Neuson SE. As was previously the case with Claas, John Deere now holds an approximately five-percent share in Kramer-Werke GmbH; this share is not recognized as a minority interest.

Bolstered by profit figures, return on equity (ROE)[1] amounted to 7.9 percent for fiscal 2017 (2016: 5.3 percent).

Non-current liabilities rose to EUR 241.3 million (2016: EUR 115.1 million). This is attributable to a Schuldschein loan agreement in the amount of EUR 125 million placed in February 2017, which increased long-term borrowings to EUR 155.0 million (2016: EUR 30.0 million). At EUR 54.7 million, long-term provisions remained at the same level as the previous year (2016: EUR 54.3 million). Please refer to item 19 in the Notes to the Consolidated Financial Statements for further information on provisions for pensions. → Page 109

Deferred tax liabilities amounted to EUR 31.6 million (2016: EUR 30.8 million).

Total current liabilities decreased to EUR 259.8 million (2016: EUR 373.2 million). This is due to the repayment of the first tranche of a 2012 Schuldschein loan agreement in the amount of EUR 89.9 million that was reclassified from non-current liabilities to current liabilities in 2016. Short-term borrowings thus decreased to EUR 20.3 million (2016: EUR 193.4 million). This figure also includes the current portion of long-term borrowings. In addition, the Group repaid borrowings from banks in addition to the tranche of the Schuldschein loan agreement detailed above. Trade payables rose to EUR 128.0 million (2016: EUR 87.6 million).

Financial structure

Please refer to the "Financial liabilities" section, item 21 in the Notes to the Consolidated Financial Statements, for information on the financial structure, financial covenants and the terms of covenants. → Page 113

Off-balance-sheet assets and financial instruments

In addition to the assets shown in the consolidated balance sheet, the Group also makes customary use of assets that cannot be recognized in the balance sheet. These generally refer to leased, let or rented assets (operating leases). Please refer to the "Other financial liabilities" section, item 26 in the Notes to the Consolidated Financial Statements for further details. → Page 118

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

NET FINANCIAL POSITION

IN € MILLION

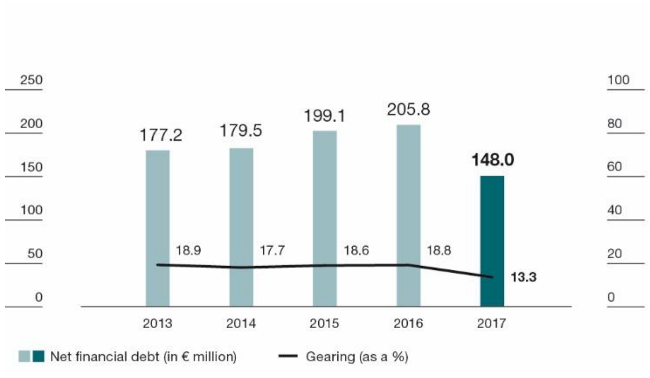
	2017	2016	2015	2014	2013
Long-term borrowings	-155.0	-30.0	-124.4	-126.6	-130.6
Short-term borrowings	-20.3	-190.5	-99.3	-66.7	-61.7
Current portion of long-term borrowings	–	-2.9	-0.4	-0.4	-0.4
Cash and cash equivalents	27.3	17.6	25.0	14.2	15.5
Total net financial position	**-148.0**	**-205.8**	**-199.1**	**-179.5**	**-177.2**

[1] Calculation: Profit for the period / average equity.

FIG. 6 Healthy assets and finances

NET FINANCIAL DEBT AND GEARING 2013 TO 2017

IN € MILLION | AS A %



EQUITY AND EQUITY RATIO 2013 TO 2017

IN € MILLION | AS A %

At 69.0 percent, the Group’s equity ratio remains high for the industry (2016: 69.1 percent) and thus underscores its strong financial structure. Net financial debt for 2017 decreased significantly to EUR 148.0 million (2016: EUR 205.8 million). Gearing thus amounted to 13.3 percent (2016: 18.8 percent).

Judgments and estimates

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

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

Developments in Q4 2017

Group revenue for the fourth quarter of 2017 increased 12.5 percent relative to the prior-year quarter to reach EUR 391.5 million (Q4 2016: EUR 347.9 million).

Gross profit amounted to EUR 110.2 million (Q4 2016: EUR 92.9 million). The gross profit margin increased to 28.1 percent (Q4 2016: 26.7 percent). Profit before interest and tax (EBIT) rose 72.7 percent to EUR 30.4 million (Q4 2016: EUR 17.6 million). The EBIT margin improved to 7.8 percent (Q4 2016: 5.1 percent).

Profit for the period rose to EUR 16.5 million (Q4 2016: EUR 10.9 million).

Regional developments in Q4

Europe performed particularly strongly in the fourth quarter. Revenue for the region grew 13.5 percent to EUR 293.7 million (Q4 2016: EUR 258.8 million). Profit before interest and tax (EBIT) more than doubled to EUR 38.5 million (Q4 2016: EUR 14.8 million).

Revenue for the fourth quarter in the Americas rose to EUR 84.4 million. This corresponds to a growth of 13.0 percent (Q4 2016: EUR 74.7 million). Profit before interest and tax (EBIT) amounted to EUR -2.7 million. This figure was negatively impacted by factors such as restructuring costs (Q4 2016: EUR -6.6 million).

In the Asia-Pacific region, revenue decreased 6.9 percent from EUR 14.4 million in the prior-year quarter to EUR 13.4 million. Segment earnings before interest and tax (EBIT) amounted to EUR -4.0 million (2016: EUR -2.4 million). Performance here was negatively impacted by factors such as a downturn in the high-margin gasoline rammer business in China as well as by start-up costs for the new factory near Shanghai and restructuring costs in Australia.

For further information, refer to the section “Segment reporting by region”. → Page 49

Segment reporting by business segment in Q4

The pace of growth in the light equipment segment increased further in the fourth quarter, with revenue[1] growing 14.6 percent to EUR 96.7 million (Q4 2016: EUR 84.4 million).

Compact equipment revenue[1] rose 14.9 percent to EUR 216.6 million (2016: EUR 188.5 million). Revenue generated by agricultural equipment grew 36.0 percent to EUR 63.8 million (Q4 2016: EUR 46.9 million). This rise was fueled by continued willingness to invest among agricultural landholders and a positive start to the alliance with John Deere.

Revenue[1] in the services segment grew 5.9 percent to EUR 86.1 million in the fourth quarter (Q4 2016: EUR 81.3 million).

For further information, refer to the section “Segment reporting by business segment”. → Page 51

Free cash flow in the fourth quarter

Free cash flow more than doubled to EUR 46.2 million in the fourth quarter (Q4 2016: EUR 19.2 million). This rise was fueled by a significant increase in profit before tax (EBT) and measures aimed at streamlining net working capital.

General overview of economic situation

In 2017, the Group benefited from the overall positive market situation in the construction and agricultural sectors and was able to significantly increase revenue. The relocation of skid steer loader production from Austria to the production facility in the US is starting to bear dividends and have a positive effect on revenue. The Group’s performance was bolstered by the upturn in business with major customers as well as successful alliances with market leaders. Profitability increased significantly, fueled by the realization of economies of scale as well as systematic improvements to processes along the entire value chain and improved cost structures.

With an equity ratio of 69.0 percent (2016: 69.1 percent) and gearing of 13.3 percent (2016: 18.8 percent), the Group’s financials and assets remain strong for the industry. → FIG. 6

In light of the secure liquidity situation, the Group will be able to meet all of its financial obligations in the current year.

[1] Before cash discounts.

DEVELOPMENT IN Q4

IN € MILLION

	Q4 2017	Q4 2016	Change
Indicator			
Revenue	391.5	347.9	12.5%
Gross profit	110.2	92.9	18.6%
Gross profit margin as a %	28.1	26.7	1.4PP
EBIT	30.4	17.6	72.7%
EBIT margin as a %	7.8	5.1	2.7PP
Profit for the period	16.5	10.9	51.4%
EPS (in €)	0.24	0.16	50.0%
Revenue according to region			
Europe	293.7	258.8	13.5%
Americas	84.4	74.7	13.0%
Asia-Pacific	13.4	14.4	-6.9%
EBIT according to region			
Europe	38.5	14.8	160.1%
Americas	-2.7	-6.6	-59.1%
Asia-Pacific	-4.0	-2.4	66.7%
Revenue according to business segment[1]			
Light equipment	96.7	84.4	14.6%
Services	216.6	188.5	14.9%
Compact equipment	86.1	81.3	5.9%
Cash flow			
Changes in Net Working Capital	24.6	10.3	138.8%
Cash flow from operating activities	63.1	32.2	96.0%
Cash flow from investment activities	-16.8	-13.0	29.2%
Investments (property, plant and equipment and intangible assets)	-19.6	-13.7	43.1%
Free cash flow	46.2	19.2	140.6%
Cash flow from financing activities	-57.3	-16.4	249.4%

[1] Consolidated revenue before cash discounts.

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

The Annual Financial Statements of Wacker Neuson SE have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Act (Aktiengesetz). For the 2017 fiscal year, the Management Report of Wacker Neuson SE has been combined with the Group Management Report.

The Annual Financial Statements describe the results of business activities conducted by Wacker Neuson SE during fiscal 2017. Here it should be noted that the company has been operating as a management and holding company since fiscal 2011.

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

The central Group functions based in Munich are allocated to Group-wide and/or non-transferable contractual relationships and other legal relationships, receivables and liabilities of Wacker Neuson SE. The holding is responsible for strategic functions of Group management. The Group Executive Board plus the following central, Group-wide departments are vested with the holding company: Group controlling, Group accounting, Group treasury, legal (including patent management), internal auditing, compliance, real estate, strategy, mergers and acquisitions, investor relations, sustainability, corporate communication, Corporate IT, Corporate marketing, Corporate taxes and Corporate human resources. The company employed 52 people on average in fiscal 2017 (2016: 52).

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

Following the reorganization of Group members based at the Munich site, additional Group services will be bundled at Wacker Neuson SE from 2018 onwards. In particular, this refers to the areas of marketing, human resources, IT, financial services, corporate real estate management and central procurement functions. Approximately 185 employees will be transferred to Wacker Neuson SE as a result of this reorganization. The company's business activities will be expanded to include these services.

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

Revenue for 2017 amounted to EUR 18.1 million (2016: EUR 15.9 million). This was generated through the provision of services by Wacker Neuson SE to its affiliates, which included, on the one hand, the provision of management services (EUR 16.1 million) and, on the other, renting office space at the Munich site to the affiliates based there and also to an external tenant (EUR 2.0 million).

Cost of sales amounted to EUR 17.2 million (2016: EUR 14.7 million) and gross profit came to EUR 0.9 million (2016: EUR 1.2 million).

INCOME STATEMENT FOR WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	2017	2016
Revenue	18.1	15.9
Cost of sales	-17.2	-14.7
Gross profit	**0.9**	**1.2**
General and administrative expenses	-28.8	-25.3
Other income	38.9	36.4
Other expenses	-20.5	-12.8
Income from participating interests	46.4	32.1
Income from profit transfer agreements	28.8	18.8
EBIT	**65.7**	**50.4**
Interest and similar income	14.3	12.1
Write-downs on financial assets	-5.5	-4.6
Interest and similar expenses	-7.8	-6.8
Taxes on income and earnings	-14.5	-8.6
Profit after tax	**52.2**	**42.5**
Other taxes	-0.2	-0.1
Net profit/loss	**52.0**	**42.4**
Profit/loss carried forward	76.8	69.5
Retained earnings	**128.8**	**111.9**

General and administrative expenses amounted to EUR 28.8 million in fiscal 2017 (2016: EUR 25.3 million). Other income came to EUR 38.9 million. This figure primarily includes income from the provision of IT services and from currency conversions. In 2016, other income was posted at EUR 36.4 million. Other operating expenses amounted to EUR 20.5 million in fiscal 2017 (2016: EUR 12.8 million). This primarily comprises exchange losses.

The dividend payment made by Wacker Neuson SE to its shareholders is dependent on the performance of its holding entities and the profit that they yield. In 2017, Wacker Neuson SE received EUR 46.4 million in dividends from the Group (2016: EUR 32.1 million). This increase is due to the dividend payments of a subgroup being deferred from fiscal 2016 to fiscal 2017.

Income from shareholdings in companies (dividends plus income from profit transfer agreement) amounted to EUR 75.2 million (2016: EUR 50.9 million). The income from the profit transfer agreement stems from an agreement concluded between an affiliate and Wacker Neuson SE.

Wacker Neuson SE realized profit before interest and tax (EBIT) of EUR 65.7 million (2016: EUR 50.4 million). Income after tax came to EUR 52.2 million (2016: EUR 42.5 million). This resulted in profit for the period of EUR 52.0 million (2016: EUR 42.4 million).

Assets and financials

Group software licenses, primarily for the ERP (Enterprise Resource Planning) system as well as for the operating systems and office applications deployed across the Group are capitalized at Wacker Neuson SE. The holding company provides Group members with these licenses in return for a fee. At December 31, 2017, Wacker Neuson SE reported intangible assets of EUR 11.5 million for licenses and similar rights (2016: EUR 11.1 million).

The property held by Wacker Neuson SE refers to the site of the Group headquarters in Milbertshofen, Munich (Germany). Wacker Neuson SE reported property, plant and equipment in the amount of EUR 31.3 million at December 31, 2017 (2016: EUR 32.8 million).

The financial assets reported by Wacker Neuson SE refer to its holdings in all Group members within and beyond Germany and to loans to associated companies. At December 31, 2017, financial assets amounted to EUR 716.5 million (2016: EUR 734.0 million). This change resulted from capital increases of EUR 2.9 million (2016: EUR 4.0 million), a reduction in capital of EUR 31.6 million (2016: EUR 2.5 million), additions to shares in the amount of EUR 16.2 million (2016: EUR 0.1 million), an impairment loss in the amount of EUR 5.5 million mainly on affiliates in China in line with Section 253 (3) HGB (2016: EUR 4.6 million) and write-ups in the amount of EUR 0.5 million (2016: EUR 2.7 million). Loans to associated companies amounted to EUR 0.8 million (2016: EUR 0.8 million).

Total assets attributable to Wacker Neuson SE amounted to EUR 759.3 million at the closing date (2016: EUR 777.9 million). Wacker Neuson SE does not hold any inventory.

Trade receivables due from customers and sales partners within Germany and beyond also accrue almost entirely to the operational companies. Receivables from affiliated companies rose to EUR 457.6 million (2016: EUR 373.7 million). Wacker Neuson SE receivables are mainly related to its shareholdings in Group members, in particular resulting from short-term borrowings and receivables within the framework of the cash pool. Wacker Neuson SE reported liquid funds of EUR 65.2 million at December 31, 2017 (2016: EUR 101.8 million).

Total current assets amounted to EUR 526.0 million at the closing date (2016: EUR 480.1 million). The balance sheet total is recognized at EUR 1,286.6 million (2016: EUR 1,258.9 million).

At December 31, 2017, the company's equity amounted to EUR 865.7 million (2016: EUR 848.8 million). Wacker Neuson SE's share capital remained stable at EUR 70.14 million. This refers to 70,140,000 registered shares, each representing a proportionate amount of the share capital of EUR 1.00.

Other provisions amounted to EUR 21.1 million (2016: EUR 14.6 million). This rise was primarily attributable to increased provisions for pensions (EUR 1.5 million), tax provisions (EUR 3.0 million) and provisions for salaries and bonuses (EUR 1.9 million).

Wacker Neuson SE has significant external financial liabilities as a result of the cash pools and other financing agreements with Group companies. These liabilities are managed by the holding's corporate treasury department, which is the central instance responsible for securing and managing liquidity across the Group. Borrowings from banks increased to EUR 200.4 million (2016: EUR 167.8 million). This increase was chiefly caused by the new Schuldschein loan agreement. Wacker Neuson SE includes trade payables and current liabilities from the cash pool in payables to affiliated companies. At the closing date, payables to affiliated companies amounted to EUR 194.9 million (2016: EUR 102.8 million).

BALANCE SHEET OF WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Intangible assets	11.5	11.1
of which: licenses for industrial property rights and similar	10.6	10.2
of which: payments on account/assets	0.9	0.9
Property, plant and equipment	31.3	32.8
of which: land, land titles and buildings on third-party land	30.1	31.4
of which: machinery and equipment	–	–
of which: office and other equipment	1.2	1.4
of which: payments on account/assets under construction	–	–
Financial assets	716.5	734.0
of which: shareholdings in affiliated companies	715.7	733.2
of which: loans to affiliated companies	0.8	0.8
of which: other loans	–	–
Assets	**759.3**	**777.9**
Trade receivables	–	–
Receivables from affiliated companies	457.6	373.7
Other assets	3.2	4.5
Liquid funds	65.2	101.8
Current assets	**526.0**	**480.0**
Deferred items	**1.3**	**1.0**
Balance sheet total (assets)	**1,286.6**	**1,258.9**
Equity	**865.7**	**848.8**
of which: subscribed capital	70.1	70.1
of which: capital reserves	584.0	584.0
of which: revenue reserves	82.8	82.8
of which: retained earnings	128.8	111.9
Special tax-free reserves	**–**	**–**
Other provisions	**21.1**	**14.6**
Liabilities	**398.4**	**395.5**
of which: borrowings from banks	200.4	167.8
of which: trade payables	2.0	1.5
of which: payables to affiliated companies	194.9	102.8
of which: other liabilities	1.1	123.4
Deferred items	**–**	**–**
Deferred tax liability	1.4	–
Balance sheet total (liabilities)	**1,286.6**	**1,258.9**

Other liabilities amounted to EUR 1.1 million (2016: EUR 123.4 million). The first tranche of the Schuldschein loan agreement placed in 2012 in excess of EUR 90 million was repaid in 2017. The new Schuldschein loan agreement placed during this fiscal year in the amount of EU 125.0 million and the second tranche of the 2012 Schuldschein loan agreement in the amount of EUR 30.0 million are disclosed under borrowings from banks as of 2017.

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

DIVIDEND TRENDS

	2018[1]	2017	2016	2015	2014
Total payout (€ million)	42.08	35.07	35,07	35,07	28,06
Payout ratio (as a % of Group profit for previous years)	48.1	61.7	53.0	38.3	45.9
Eligible shares (million)	70.14	70.14	70.14	70.14	70.14
Dividend per share (€)	0.60	0.50	0.50	0.50	0.40

[1] Dividend proposal for the AGM on May 30, 2018.

Dividend proposal
The Executive Board and Supervisory Board of Wacker Neuson SE will propose a dividend of EUR 0.60 per eligible share (2017: EUR 0.50) at the AGM on May 30, 2018 (based on a total of 70.14 million eligible shares). In total, therefore, the company will be paying out EUR 42.08 million. The distribution ratio pans out at 48.1 percent based on Group profit for 2017 in the amount of EUR 87.5 million.

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

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

Statement from the Executive Board pursuant to Section 312 AktG
The following declaration concludes the Executive Board report regarding relations with related entities:

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

The Executive Board

Segment reporting by region

- Strong growth in domestic European market
- Sharp rise in revenue in North America
- Transition year in Asia-Pacific

With its broad range of products and services, the Group targets end-customers as well as dealers, rental companies and importers worldwide.

Segment reporting provides an overview of business developments according to region (Europe, Americas and Asia-Pacific). These geographical segments form the basis for corporate governance.

Europe

Strong growth in domestic market Europe
During the period under review, Group revenue for Europe rose markedly by 10.7 percent to EUR 1,129.8 million (2016: EUR 1,020.7 million). When adjusted to discount currency effects, this corresponds to an increase of 11.1 percent. The Europe region continues to account for the lion's share of Group revenue at 73.7 percent. This figure is slightly lower than the previous year due to even stronger growth in the Americas region (2016: 75.0 percent).

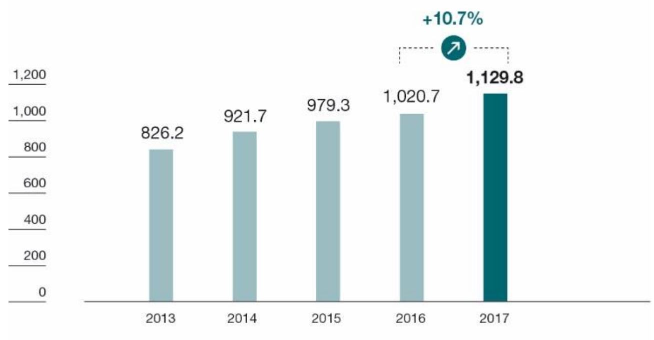
Once again, Germany is the biggest revenue driver in this region. The Group has a particularly strong market position here thanks to its dense network of branch offices that includes more than 60 of its own sales and service stations flanked by a supporting network of dealers. Bolstered by an extremely healthy domestic construction industry, the Group reported double-digit gains. This trend was reflected across the region as a whole with the broad majority of European countries contributing to this strong revenue growth. In particular, France, Poland and Austria played a contributory role. The Group also reported significant gains in Denmark, Spain and Italy – albeit at a comparatively low level. Business with major European customers also developed positively.

In contrast, the UK, Sweden and Benelux countries remained below the previous year's level. As expected, the business situation in Turkey proved to be a challenge.

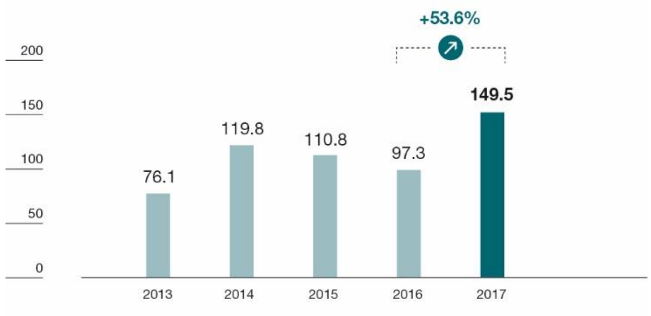
2017 REVENUE DISTRIBUTION BY REGION
AS A % (PREVIOUS YEAR)

The mood in the European agricultural sector improved significantly thanks to rising food prices, in particular for dairy products. This also helped fuel growth in the region. Although revenue growth was dampened by the alliance with agricultural equipment manufacturer Claas coming to an end, the new collaboration with John Deere started to show the first signs of success (for further information, refer to "Strategic alliances" → page 33).

REVENUE DEVELOPMENT IN EUROPE[1]
IN € MILLION



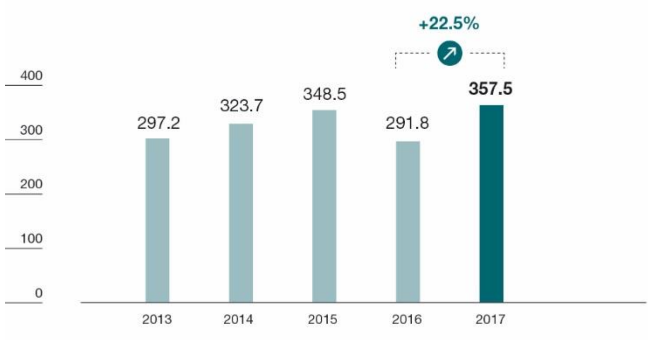
EBIT DEVELOPMENT IN EUROPE[1,2,3,4]
IN € MILLION



[1] Including South Africa, Turkey and Russia. The Wacker Neuson Group includes these countries in its Europe segment even though – geographically speaking – they are located outside of the region.
[2] Before consolidation.
[3] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of fiscal 2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values since 2014 have been adjusted accordingly.
[4] Segment reporting was adjusted in 2015 due to further developments in internal reporting. Intrasegment business transactions were previously reported under EBIT for the individual segments. Now they are listed in the Consolidation column. Values for 2013 and 2014 have been adjusted.

REVENUE DEVELOPMENT IN AMERICAS

IN € MILLION



EBIT DEVELOPMENT IN AMERICAS[1,2,3]

IN € MILLION

[1] Before consolidation.

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

[3] Segment reporting was adjusted in 2015 due to further developments in internal reporting. Intrasegment business transactions were previously reported under EBIT for the individual segments. Now they are listed in the Consolidation column. Values for 2013 and 2014 have been adjusted.

The fact that the Wacker Neuson Group was able to increase its revenue to such an extent in the highly competitive market of Europe clearly shows that its product portfolio is targeted at growth segments and that its European sales strategies are proving successful. As such, the Group was able to further strengthen its market position at national and international level and gain market shares. Revenue growth in Europe was also fueled by positive developments in other industries, including the gardening, landscaping and industrial sectors.

Profit for the region grew at a faster rate than revenue in 2017. Profit before interest and tax (EBIT) rose by more than 50 percent to EUR 149.5 million (2016: EUR 97.3 million). The recovery of the European agricultural equipment market plus stronger results from the services segment, including the maintenance, repair and spare parts business, contributed to the rise in profit.

Americas

Return to growth in the Americas after several challenging years

Revenue for 2017 in the Americas rose 22.5 percent relative to the previous year to EUR 357.5 million (2016: EUR 291,8 million).

The company benefited, on the one hand, from increased sales of light equipment. This rise was fueled in part by North American rental companies replenishing stocks of worksite technology equipment, including generators and light towers. Over the two previous years, overcapacities from the oil and gas sector flooded the market and significantly depressed sales of these product groups. On the other hand, the Group was able to gradually ramp up production of skid steer loaders manufactured in the US. Developed specifically for the North American market – the largest market for skid steer loaders in the world – these machines are an essential success factor in Wacker Neuson's bid to win new dealers and rental chains. As a result, sales of compact equipment imported from European factories, including excavators, wheel loaders and telescopic handlers, also increased.

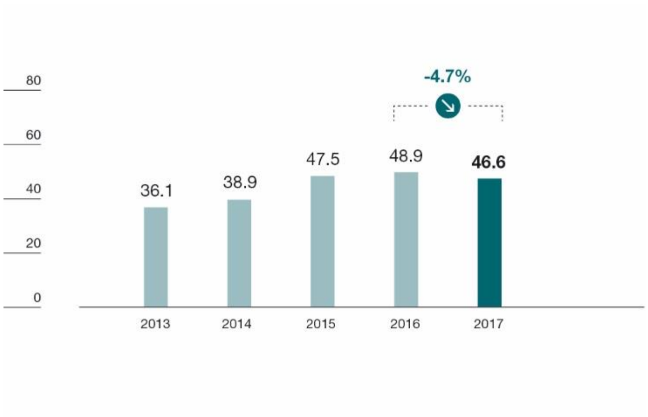
At 23.3 percent, the region's share of total revenue increased relative to the previous year (2016: 21.4 percent). As in previous years, the US accounted for the lion's share of Group revenue in this region. The Group also reported strong gains in Canada. The improved economic situation and an upturn in business with major customers had a positive impact here. Revenue in South America grew in double digits, fueled by positive developments in 2017 in raw materials markets, which play an important role in this region. Demand was dampened by continued uncertainties surrounding the political situation in Mexico as well as the desolate state of Brazil's economy.

In 2017, the average EUR/USD exchange rate was EUR 1 to USD 1.13 (2016: EUR 1 to USD 1.11). South American currencies gained ground slightly against the US dollar in 2017. This had a positive impact on sales of products imported from the US to these countries. When adjusted to discount currency effects, revenue for the Americas region as a whole increased at a slightly stronger than nominal rate of 24.4 percent.

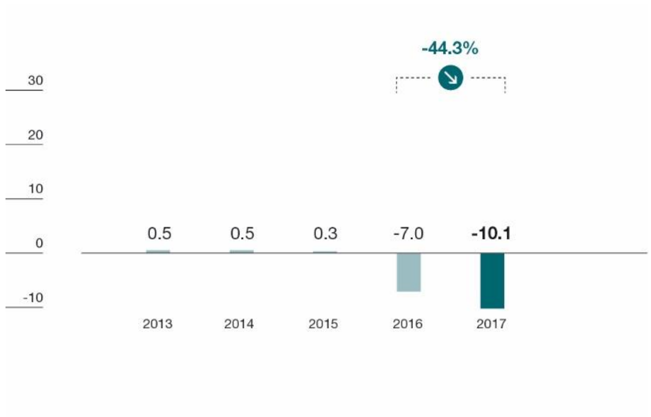
EBIT for the region amounted to EUR -1.2 million (2016: EUR -9.5 million). Restructuring costs and the sale of old inventory had a dampening effect here. However, profit was bolstered by skid steer loaders manufactured in the US.

Demand from the oil and gas industry in the US and Canada remains very low, especially in the northern regions of North America, which are interesting markets for the Group. However, initial signs of recovery started to show following a rise in the price of oil in the fourth quarter of 2017.

REVENUE DEVELOPMENT IN ASIA-PACIFIC
IN € MILLION



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



[1] Before consolidation.
[2] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of fiscal 2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values since 2014 have been adjusted accordingly.
[3] Segment reporting was adjusted in 2015 due to further developments in internal reporting. Intrasegment business transactions were previously reported under EBIT for the individual segments. Now they are listed in the Consolidation column. Values for 2013 and 2014 have been adjusted.

Asia-Pacific

Slight fall in revenue – 2017 is a transition year for the region
In the Asia-Pacific region, revenue decreased slightly relative to the previous year, down 4.7 percent to EUR 46.6 million (2016: EUR 48.9 million); adjusted to discount currency effects, this represents a drop of 3.7 percent. The region's share of total revenue was 3.0 percent (2016: 3.6 percent). While revenue in Australia and New Zealand developed positively with double-digit gains, demand in Asian countries (excluding China) remained more or less at the prior-year level. The Group experienced a downturn in China. This was due in part to a slump in its high-margin gasoline rammer business. The comparative baseline of 2016 was increased by a one-off effect caused by new dealers stocking up on compact equipment.

At EUR -10.1 million, EBIT was markedly lower than the previous year (2016: EUR -7.0 million).

The Group is currently preparing for future growth in the region and is investing in a new production site. The manufacturing of mini excavators for the Chinese market started in January 2018. This investment together with a significant allowance for doubtful accounts related to receivables had a negative impact on profit in 2017. Profit was also affected by the sale of old inventory and restructuring costs in Australia.

Southeast Asia is a key future market for the Group – notwithstanding short-term uncertainties surrounding economic growth and currency developments. Demand for high-quality products is steadily rising in this region and more and more selected products tailored to local market requirements are being distributed there. Furthermore, the Group is entering into long-term collaborations with selected partners and aims to harness their established sales networks to expand its market reach more rapidly. This will enable the Group to leverage revenue potential without having to establish its own dedicated additional sales structures. In 2017, the Group entered into three alliances in Southeast Asia. For further information on this, refer to "Strategic alliances". → Page 33

Segment reporting by business segment

- Growth in light and compact equipment segments
- Dynamic demand in the agricultural sector
- Services segment is important complement to the new equipment business

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

Light equipment

Light equipment returns to growth path
The light equipment business segment covers the Wacker Neuson Group's activities within the strategic business fields of concrete technology, compaction and worksite technology. Production is synchronized with demand and delivery times are short. Orders are usually delivered within a few days. Wacker Neuson products complement each other perfectly to support construction workflows and so customers often deploy several items of equipment on the same construction site. The Group is committed to producing high-quality equipment that excels under what are usually harsh conditions; this commitment is one of the key factors that has propelled Wacker Neuson to its market-leading position.

2017 REVENUE DISTRIBUTION BY BUSINESS SEGMENT[1]

AS A % (PREVIOUS YEAR)

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

Refer to the “Research and development” section for further information on new products. → Page 54

Following weak performance in 2015 and 2016, light equipment revenue rose strongly, driven by a resurgence in demand from the construction sector in Europe and the Americas. In the US, several rental chains needed to replenish stocks of worksite equipment, including products such as generators and light towers. This fueled significant gains relative to the previous year. Revenue in the compaction business field also rose sharply. In contrast, revenue generated by concrete technology was only slightly higher than the prior-year level. Total light equipment revenue[1] for the year increased 11.9 percent to EUR 422.7 million (2016: EUR 377.9 million). Adjusted to discount currency effects, revenue rose 13.1 percent. This segment’s share of total revenue was 27.1 percent (2016: 27.3 percent).

The Group distributes a range of light equipment products tailored to the Asian market and other emerging economies such as South America and Africa (Value Line). These robust products are tailored to local customer needs and will help the Group enter and extend its reach in local construction equipment markets.

Compact equipment

Significant revenue growth for compact equipment

The compact equipment business segment covers machinery targeted at the construction and agricultural industries, at gardening, landscaping and industrial firms as well as at recycling companies and municipal bodies. The portfolio includes wheel loaders, tele wheel loaders, telescopic handlers, backhoe loaders, skid steer loaders, wheel and track dumpers and excavators weighing up to 15 tons. The Group also offers attachments and accessories for products in this segment.

The trend toward compact, versatile machines continues to gather momentum. At the same time, Group measures to increase market penetration and distribute its offering via its existing sales network fueled revenue growth in almost all countries where the Group distributes compact equipment. The Group produces the machinery in Austria and Germany. Skid steer loaders are produced in the US. As of 2018, it will also manufacture excavators in China for the regional market.

Refer to the “Research and development” section for further information on new products. → Page 54

Compact equipment revenue[1] increased 15.3 percent from EUR 709.3 million in the previous year to EUR 817.6 million. This growth was fueled by strong demand from the construction industry as well as renewed willingness to invest in the European agricultural sector. The production of skid steer loaders in the US and increased exports of machines manufactured in Europe to North America were significant growth drivers for the entire segment.

Adjusted to discount currency effects, revenue grew by 15.9 percent. As a result, this segment’s share of total revenue increased slightly to 52.4 percent (2016: 51.2 percent).

Rise in revenue in agricultural sector

The mood in the agricultural industry was much more upbeat in 2017. Rising food prices, above all for dairy products, fueled willingness to invest among agricultural landholders, which, in turn, also affected demand for agricultural equipment. Although the Group’s alliance with German agricultural equipment manufacturer Claas came to an end, revenue generated by agricultural equipment rose 17.4 percent to EUR 216.2 million (2016: EUR 184.1 million). The new collaboration with John Deere also started to show the first signs of success. Agricultural compact equipment (including both alliances) accounted for 14.1 percent of total Group revenue in 2017 (2016: 13.5 percent).

Increasingly globalized competition for agricultural products continues to challenge landholders to focus on efficiency gains in the management of their holdings and invest accordingly.

REVENUE BY BUSINESS SEGMENT

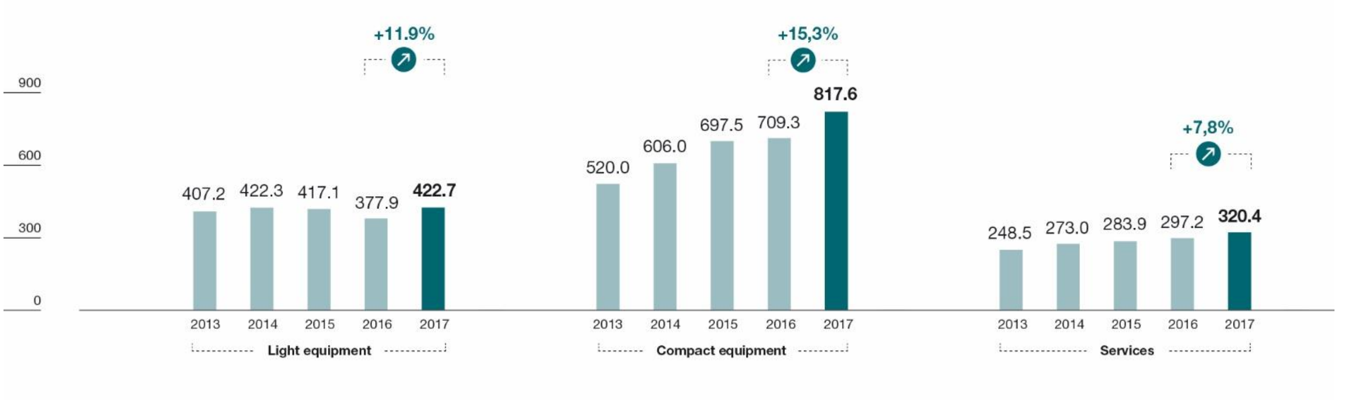
IN € MILLION

	2017	2016	Change as a %
Light equipment	422.7	377.9	11.9
Compact equipment	817.6	709.3	15.3
Services	320.4	297.2	7.8
Less cash discounts	-26.8	-23.0	16.5
= Total	**1,533.9**	**1,361.4**	**12.7**

[1] Before cash discounts.

DEVELOPMENT BY BUSINESS SEGMENT 2013 TO 2017[1]

IN € MILLION



[1] Revenue before cash discounts.

Services

Growth in the services segment

The Wacker Neuson Group places great importance on customer-centric service with personalized, far-reaching support. The Group complements new equipment sales with an extensive range of services. The services segment covers the business fields of repair and spare parts, used equipment, financing, telematics and rental in Central Europe. In 2017, revenue[1] in the services segment increased 7.8 percent to EUR 320.4 million (2016: EUR 297.2 million). Adjusted to discount currency effects, this corresponds to a rise of 8.2 percent. This segment's total share of revenue thus decreased slightly to 20.5 percent (2016: 21.5 percent) due to strong growth in the light and compact equipment segments.

Services resonate strongly among customers

The Group offers an extensive portfolio of services aimed at strengthening its customer-centric strategy, which focuses on guaranteeing maximum product availability for operators and users of its machines.

The Group offers its customers a high degree of flexibility through tailor-made financing programs[2] and the Wacker Neuson rental fleet in Central Europe. When orders are high, it can provide machines immediately to cover peaks in demand. In particular, however, the Group's agile service offering also focuses on medium- and longer-term solutions, re-rentals and hire-purchase agreements. Again in 2017, Wacker Neuson sales and service stations responded with great flexibility to customer requirements, making fit-for-purpose rental equipment available at short notice wherever it was needed.

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

Once again, the traditional repair business was an important and successful part of the Group's strategy in 2017. The Group was unable to meet its goals of increasing the availability of spare parts, especially in Europe. The situation is expected to improve significantly in the second half of 2018. This area was restructured in November 2017 and every effort is being made to achieve lasting performance gains in this key area.

[1] Before cash discounts.

[2] In cooperation with third parties.

Other factors that impacted on results

RESEARCH AND DEVELOPMENT[1]

	2017	2016	2015	2014	2013
R&D costs (€ million)	35.8	34.8	33.6	28.8	25.7
R&D share (as a %)	2.3	2.6	2.4	2.2	2.2
Capitalized expenses (€ million)	13.4	13.5	11.0	12.5	10.0
R&D costs (incl. capitalized expenses) (€ million)	49.2	48.3	44.6	41.3	35.7
R&D share (incl. capitalized expenses) (as a %)	3.2	3.5	3.2	3.2	3.1
Share of employees working in R&D (as a %)	appr. 8	appr. 8	appr. 8	appr. 8	appr. 8

[1] Previous years adapted to current booking basis.

Research and development

- Research and development as a key success factor
- Product development in tune with local market needs
- Focus on energy efficiency and meeting future emissions standards

Research and development underpin long-term success
R&D is a core element of the Wacker Neuson Group's overall success.

In fiscal 2017, the Group filed five new patents and utility models around the world (2016: 22). 32 patents and utility models were granted (2016: 25). In total, the Wacker Neuson Group owns over 269 patents and utility models worldwide. At EUR 35.8 million, research and development costs for 2017 were higher than in the previous year (2016: EUR 34.8 million). During the period under review, the Group also capitalized costs in the amount of EUR 13.4 million (2016: EUR 13.5 million). The relative R&D ratio (R&D share of total revenue including capitalized expenditure) came to 3.2 percent (2016: 3.5 percent).

The Wacker Neuson Group employs over 5,000 people (excluding temporary staff) worldwide. Around 8 percent of employees work in research and development. The R&D payroll mainly consists of mechanical and electrical engineers, technical engineers and other skilled workers. The Group provides suitable ongoing training for these employees to help them master their demanding jobs.

The Group only procures third-party services for R&D projects in exceptional cases. However, it does work closely with national and international universities and renowned research institutes. This gives the Wacker Neuson Group non-stop access to the latest scientific insights in its areas of research.

Coordination through cross-factory innovation team
Uniform processes and Group standards across factories are drawn up and implemented at the various locations in collaboration with the Corporate Technology, Standardization & Design central function, responsible for coordination and also for the technology roadmap and global product design. Expert committees have been set up to identify strategic topics and facilitate global exchange between technical experts.

Product development in tune with regional customer demand
Group strategy envisages even bigger emphasis on developing and manufacturing products "in the region, for the region", following the largest sales markets. Group research and development (R&D) is therefore geared towards the needs of the market and local customers, taking national and international regulations into account. The requirements placed on products in terms of features, drive technologies and emissions performance (noise, exhaust gas, etc.), vary hugely from region to region. In regulated markets like Central Europe and North America, emission thresholds are governed by legislation. The Wacker Neuson Group therefore pays close attention to local customer needs when developing its products. This helps the Group tailor its development activities, delivery conditions and service offering as closely as possible to the concrete requirements of its customers around the globe. The development departments around the world are working on concepts that will enable the Group to provide discerning customers with the premium products they expect, and more price-sensitive customers with products suited to their needs.

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

Digitalization and virtual product development
The Wacker Neuson Group uses new technologies to develop its construction equipment. The opportunities presented by virtual and augmented reality are being evaluated and harnessed in industrial and product design and for optimized planning of production start-ups in future. Non-linear system simulation methods are also used to model drive technology systems in connection with multibody models.

Focus on product safety and energy efficiency
With many of its products, the Group is positioned as a global technology leader. Development is aimed in particular at extending the Group's pioneering position in product safety, operator safety and environmental protection. Light equipment should be easy to operate and present no risk or hazard to the operator. For example, it should have a reduced level of hand-arm vibrations and its combustion engine should produce lower emissions.

Looking beyond functional design, development work also focuses heavily on user ergonomics. In addition Group engineers are working on new drive concepts like electric and battery-powered drives, and on ways to improve energy efficiency and standardize the components of different models and product groups.

The industry – therefore also the Wacker Neuson Group – is currently focusing a significant portion of development resources on compliance with stricter legislation, especially in the area of emissions. One of the core areas of development work is the predevelopment of systems and components in preparation for the new Stage V emissions standard (Europe). The Group will use the two-year transition phase provided for by legislators to keep the cost and complexity of this change as low as possible and ensure a seamless transition to the new standard. Components such as engines, cooling systems and exhaust gas treatment systems have yet to be modified. For detailed information on new exhaust emissions regulations, please refer to "General legal framework". → Page 31

The Group prioritizes its eco-efficiency activities as a key instrument to meet customer demand for products that are even more environmentally sound and safe in future. Meanwhile, the company is also making progress in the services area. Telematics, for example, enables users and machines to communicate automatically. By recording operating hours, for example, telematics enables maintenance to be planned at the appropriate intervals, thus ensuring that machines can be used in the most efficient and environmentally friendly way possible.

Pioneering role with zero emissions
With its own zero emissions product line, the Wacker Neuson Group has established a pioneering position among its peers. The range includes battery-powered rammers, electric wheel loaders, electric track dumpers and mini excavators with dual-power technology. These solutions are an interesting addition to existing portfolios, especially for rental companies. Sales of zero emissions products are rising even if this line still accounts for a small share of revenue. The Group firmly believes that alternative drive technologies will play a major role in the future.

New products and innovations in 2017

2017 was a strong year for new product innovations in the Group. Various basic models were developed for the global market and these can be adapted to meet country-specific requirements thanks to numerous options and model variants.

Wacker Neuson
A new battery generation launched in March 2017 has increased the runtimes of Wacker Neuson's two battery-powered rammers, the AS30e and AS50e, by 50 percent. This means that the products can now last a typical working day.

Furthermore, all rammer models and vibratory plates (over 30 models) are made in Germany as of this year. The development and production of rammers has been relocated from the US site to the factory in Reichertshofen (Germany). This coincides with a number of technical modifications to these products, including a larger oil tank that extends maintenance intervals. The VP series of single-direction vibratory plates has also been modified. Customers now benefit from an optimized sprinkler system, improved guide handle and reduced hand-arm vibrations.

The Group will soon be launching a new addition to its zero emissions series. The AP1850e is the first battery-powered – and therefore zero emissions – vibratory plate. This single-direction, battery-powered plate will be available for sale after Intermat, which will be held in Paris in April 2018. With a battery runtime of over an hour, this model can cover a typical working day on almost any construction site. The fact that the vibratory plate uses the same battery as the zero emissions rammer is an interesting feature here. These two products will be an attractive package for customers in future as the batteries can be switched between machines as and when required.

Production of a new generation of light towers got underway in North America. The compact design and long runtime has impressed customers and made these towers a popular choice among rental chains.

In the compact equipment segment, the Group has made further developments to its WL20e electric wheel loader. As of 2017, the machine features a high-quality absorbent glass mat (AGM) battery that is very easy to use and requires little maintenance. One of the highlights of this battery is its integrated charger, which enables it to be charged at any location.

The WL60 and WL70 are Wacker Neuson's two largest wheel loader models with operating weights of 6 and 7 tons respectively. As of 2017, these machines are available with new engines and a range of additional options. These two wheel loaders are the perfect choice for heavy-duty work thanks to their robust, powerful load arm design and highest lifting heights in their class. They meet the latest emissions standards and offer customers even more comfort, enabling operators to work more efficiently and productively while at the same time reducing the risk of fatigue.

The "dual view" concept for dumpers that was unveiled at bauma 2016 is now close to market maturity and will be launched in 2018. Construction site safety is the core focus of this new solution. The concept is designed for wheel dumpers in the 6-, 9- and 10-ton categories and enables operators to rotate the entire cab by 180 degrees, thus ensuring that they can always see ahead even with a fully loaded skip.

This year will see the launch of new excavators in the 3.5-ton category. The Group will also be expanding its wheel loader portfolio to include models in the 10-ton segment.

Kramer
In 2017, Kramer's first all-wheel drive electric wheel loader, the 5055e, proved its worth under real-world conditions on various construction sites. Thanks to its zero emissions technology, this machine is ideal for work indoors and in environments where noise is an issue, for example, on construction sites in cities and in tunnels and parks.

Kramer has made a number of modifications to machines due to a new regulation governing tractor type-approval. This includes changes to the cab shape of its premium 8 series range of models. Benefits of the new design include more space for operators in the cab. Further modifications include additional wide-angle mirrors to improve all-round visibility and a new, more powerful air conditioning system.

Kramer has also developed the 8155 model, a new all-wheel drive wheel loader in the 9-ton category for the construction industry. With a bucket tipping load of 5.6 tons, a payload of 3.9 tons and an operating weight of 9 tons, the 8155 opens up a new class in Kramer's wheel loader portfolio, meeting customer requirements for a powerful yet extremely efficient machine. As with all models in the 8 series, the 8155 is available with four-wheel drive, crab steering and front axle steering as standard.

In mid-2017, Kramer launched a range of telescopic handlers for the agricultural sector with lifting heights of up to 9 meters. These machines are tailored specifically to the needs of agricultural landholders. The company now offers a total of 9 models with lifting heights ranging between 6 and 9 meters. The new models are split into two product groups: KT276, KT306, KT356, KT307 and KT357 are compact allrounders with lifting heights of 6 or 7 meters and payloads of up to 3.5 tons. With a width and height of less than 2.3 meters, these machines are also ideal for work in confined spaces in farmyards. Kramer is targeting the most common telescopic handler type worldwide with this class. The design of the larger machine class (KT447, KT507, KT557 and KT559), with payloads ranging from 4.4 to 5.5 tons, was strengthened to support challenging agricultural tasks.

Kramer unveiled its all-wheel drive 9-ton KL60.8 wheel loader at the Agritechnica 2017 trade show. The machine impresses across the board with its tried-and-tested non-articulated chassis, outstanding stability, maneuverability and consistent payload performance.

Weidemann
Weidemann presented its 9080 wheel loader in the 11-ton class at the agricultural equipment trade show Agritechnica 2017 in Hanover, Germany. Weidemann's 90 series is targeted at customers with heavy-duty material handling requirements at large-scale landholdings and biogas plants, for instance. As with all Weidemann wheel loaders and tele wheel loaders, the new models are equipped with an extensive range of standard features. Components such as the engine, drive system, cab and hydraulics can also be configured to meet individual customer needs. The new Weidemann model will be available from mid-2018 on.

Weidemann also showcased a new automation technology concept in Hannover. The original idea behind the Hoftrac® was to make life easier for operators. Weidemann's Intelligent Multifunctional Partner (imp) concept builds on this idea and aligns it with the needs of the modern working world. The technology allows operators to use their machines in various levels of automation, including "remote control", "tracking", and "autonomous". All of these levels are being implemented and tested within the framework of the imp study.

Production and logistics

- New compact equipment plant in China
- Economies of scale in production and productivity gains
- Focus on digitalization and the supply chain

International production sites
The Group manufactures light equipment at Reichertshofen (Germany), Menomonee Falls and Norton Shores (both USA), Manila (Philippines) and Itatiba near São Paulo (Brazil). Compact equipment is manufactured at factories in Pfullendorf and Korbach (both in Germany), Hörsching (near Linz, Austria) and Menomonee Falls (USA). The production plant in Kragujevac (Serbia) supplies compact equipment production sites internally with premanufactured steel components. The Group also started manufacturing excavators in Pinghu, near Shanghai (China) in 2018. The first pre-series production models were built in the fourth quarter of 2017 and the plant started series production in January 2018. The Group will focus on further expanding its supplier network for components and parts as well as further developing the site in 2018.

Improving processes at the production sites
The Group remains committed to its strategy of developing and manufacturing products "in the region, for the region", following the largest sales markets. In 2017, production of vibratory plates was moved from the factory in Menomonee Falls to the competence center for vibration technology in Reichertshofen. This will allow the Group to leverage targeted synergies in production. Prior to this, skid steer loader production was relocated from Hörsching to the production plant in Menomonee Falls, reflecting the fact that North America is the largest sales market for this product group. The relocation is one of the reasons why revenue in North America increased dramatically in 2017.

All production plants reported significant productivity gains in 2017. Rising demand led to high capacity utilization at production facilities.

Group-wide standardization and optimization projects at production facilities and the transfer of knowledge between global sites played a key role in 2017. The Group consolidated Corporate functions for production, material and lean management and created the new Group department Operations and Excellence. These measures reflect its commitment to concentrate more on implementing the Group strategy at operational level and leveraging potential for optimization at individual production sites. With the overarching aim of achieving operational excellence, key focus areas here include measures aimed at raising productivity, ergonomics, flexibility and the ability to meet delivery commitments on time; digitalization; new technologies ("smart factory"); and process improvements in production, in material management and along the order processing workflow to reach "operational excellence".

Digitalization in production

“Smart factory” technologies are cornerstone of Wacker Neuson’s digital strategy alongside the development of new product and construction site concepts and virtual product development. The Group has launched a range of initiatives here including assistance systems in assembly, production and intralogistics processes, digital fault and quality management, digital objects and models that are used as a first step towards creating a digital twin mapping physical processes, and improvements in monitoring machines and time management.

Optimizing the supply chain

Supply chain challenges have risen significantly due to the increase in the number of product variants, stricter emissions legislation, the introduction of new systems and components and the internationalization of procurement, production and spare parts processes. The new Corporate function Supply Chain Management was created to support Group-wide optimization of the planning process across customers, sales, logistics, procurement, production and inventory management. The department uses existing planning tools and tools yet to be developed to analyze and optimize processes. This includes optimizing inventory at logistics centers, and at sales and service stations. As such, this function’s role extends beyond the traditional sphere of logistics to include management of the entire supply chain process from initial customer request to the receipt of payment.

Changes to production plants

As part of its efforts to optimize production capacities and logistics processes, the Group plans to integrate two of a total of ten factories into existing production sites during the current fiscal year. The two US plants in Menomonee Falls, Wisconsin, and Norton Shores, Michigan, will be consolidated in Menomonee Falls, while the production plant in the Philippines will be integrated into the new plant in Pinghu, near Shanghai.

The new administration building and adjoining test hall in Reichertshofen started operations at the beginning of 2017. In order to meet increased production volume, the Group is currently building an additional production hall at the site covering an area of 8,000 square meters. There are also plans to expand the site in Korbach.

Procurement and quality

- Bundling procurement volumes offsets increased material costs to some extent
- Sustainable supplier management
- Hedging currency risks

Global networking across procurement and the supply chain

Under manufacturing costs, the cost of materials and third-party services constitute the largest cost factors for the Group. To manufacture its products, the Wacker Neuson Group requires various components and raw materials – particularly steel, aluminum and copper. The Group also requires structural steel components and precast parts as well as engines, electrical/electronic components and hydraulic and chassis components.

Procurement continues to be shaped by the growing pace of globalization, closely linked to rapidly increasing levels of quality in bought-in parts purchased from countries beyond Central Europe and North America. Choosing the right procurement markets is therefore becoming an increasingly important success factor in securing the Group’s competitive position also in future. A systematic approach ensures that only the best suppliers are included in the global supply network.

Optimizing the supplier structure

The buyers and supplier qualifiers have both regional and cross-location global responsibility for procuring specific categories of goods. Reducing the number of suppliers increases the purchasing volume per supplier. The Wacker Neuson Group also carries out risk analyses to mitigate possible quality and supply risks. Long-term contracts are concluded with selected strategic suppliers and efficiency gains projects agreed to further reduce material prices.

Sustainable supplier management

The Group has further optimized production processes in recent years by maintaining close ties with key suppliers and incorporating them into production planning processes at an early stage. In the development of its global supply chains, however, the Group identified further potential for improvement, which it plans to selectively leverage through qualification and expansion of supplier audits.

Dedicated employees accompany and help suppliers evolve along the entire pathway from selection and nomination through to series production. The focus here is specifically on prevention, so that supplier mistakes do not occur in the first place. As a result, only suppliers who meet the requisite quality, time and cost requirements will be considered for future projects. Suppliers are regularly audited to ensure they meet Wacker Neuson’s stringent requirements. If no improvement is realized despite escalation and intensive on-site assistance, these suppliers will not be considered for future projects or else will be actively phased out.

The code of conduct for suppliers came into effect in 2015. It is available on the website at the following link:
→ www.wackerneusongroup.com/en/the-group/compliance/code-of-conduct-for-suppliers/

Reacting to price fluctuations in procurement markets
Raw material prices increased in 2017. This fueled a rise in particular in energy prices and the cost of steel and plastic components. The purchasing organization was able to offset these price increases to some extent through long-term contracts and a further consolidation of suppliers as well as measures to improve supplier efficiency. Nevertheless, a rise in raw materials prices looks set to have a significant impact on material costs in 2018.

On the currency markets, fluctuations in the exchange rate of the euro in 2017 made goods from Japan and the US dollar zone cheaper, whereas goods exported from Europe to the US became more expensive. In some cases, negative translation effects could be absorbed through price negotiations and the purchasing costs reduced. The Wacker Neuson Group relies on natural hedging and hedging of currencies to mitigate currency risks and make them calculable.

Human resources

- Selective new hires
- Focus on development of management skills
- Implementation of measures derived from global employee survey

Wacker Neuson Group employees play a key role in the company's successful growth and performance. Securing and fostering employee skills and expertise is therefore a cornerstone of the HR strategy. Fairness, respect and trust are the core principles that define how employees cooperate and interact with each other.

Selective new hires
As a result of its growth, the Group increased headcount in specific areas, above all in Europe. At December 31, 2017, the Group employed a total of 5,546 people (2016: 5,183). This figure includes temporary staff.

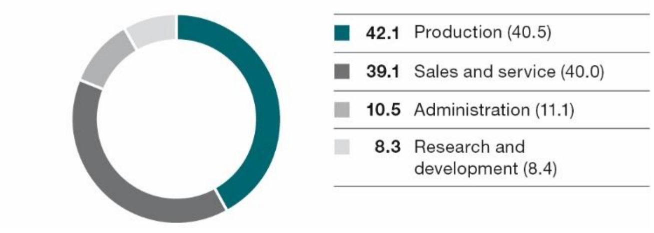
Excluding temporary staff, Group headcount came to 5,064 (2016: 4,792). These figures are calculated by converting the number of people working for the company into full-time equivalents (FTEs). The following figures are based on these FTEs.

4,020 (79.4 percent) of all employees were based in Europe at the balance sheet date (2016: 3,753). 766 were employed in the Americas region (2016: 763), with 278 in the Asia-Pacific region (2016: 276).

HEADCOUNT BY REGION
AS A %

In the previous fiscal year, 42.1 percent of employees worked in production, 39.1 percent in sales and service, 10.5 percent in administration and 8.3 percent were employed in research and development.

EMPLOYEES BY SECTOR
AS A %



Personnel costs amounted to EUR 330.8 million in 2017 (2016: EUR 304.2 million).

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

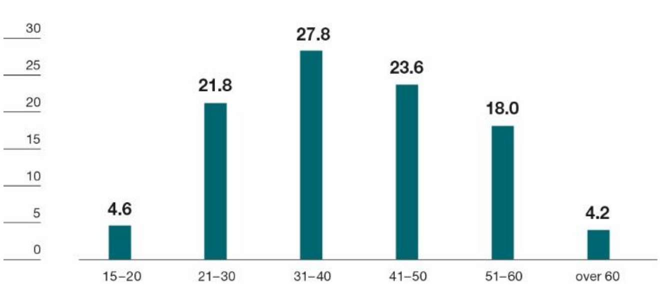
2017	2016	2015	2014	2013	2012[2]	2011	2010
5,064	4,792	4,632	4,372	4,157	4,096	3,514	3,142

[1] Number of full-time jobs (FTE), without temporary workers.
[2] Newly consolidated employees as of December 31, 2012: 245.

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

AGE STRUCTURE

NUMBER OF EMPLOYEES AS A %



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

PerspACTIVE young manager program
Our development program PerspACTIVE resonates strongly with employees and managers alike. In 2017, the sixth group of employees started the program. A seventh will follow in May 2018. The program is an invaluable tool for developing dedicated management skills across all lines of business in the Group. In addition to building cross-disciplinary knowledge by bringing participants together from different lines of business and locations, PerspACTIVE also helps to foster a common management culture.

Leadership Excellence Program (LEP)
The Leadership Excellence Program (LEP) is aimed at our experienced, strategic managers, managing directors and Group department heads. The program comprises a total of four modules "Organization in Change", "Result & Business Orientation", "Strategy & Leadership" and "Innovation & Knowledge Management". The program aims to promote communication between participants, giving them greater insight into the Group's corporate strategy and providing them with important input and ideas. This enables them to reflect on their own management style and makes it easier for them to implement the company's goals. A total of seven two-and-a-half day courses were held in 2017.

"Train and Grow – T.A.G." trainee program
The Group-wide T.A.G. (train and grow) trainee program was introduced in 2015 as a cornerstone of the Group's policy to secure the next generation of talent. The program is aimed at Master's graduates from technical and business administration disciplines and takes a maximum of 24 months to complete. The length of the participants' placements in individual departments varies between two and four months, with at least one placement completed in a foreign affiliate. The variety of experience gained in the different departments allows the program participants to get to know the Group in a short space of time and from different perspectives. Like the "INTRAMove", "PerspActive" and "LEP" employee programs, the T.A.G. program facilitates networking across different Group companies. A number of trainees successfully completed the program in 2017 and new trainees were taken on.

Staff development costs for fiscal 2017 amounted to EUR 1.8 million (2016: EUR 1.7 million).

Health management
In order to systematically anchor health management across the entire company, health committees were set up at the different sites to develop and implement tailored measures for target groups in cooperation with external service providers. In order to further expand occupational health management, the company has formed various cooperations with the German health insurance provider Techniker Krankenkasse, which will help establish and support the process. A number of initiatives aiming at promoting occupational health were implemented in 2017, including back therapy courses, Pilates and stress management courses. The Group also held driver safety training sessions and presentations on healthcare proxy agreements and healthy leadership for trainees and employees. The cross-location cooperation between the committees proved particularly successful in 2017, and this is set to be stepped up in 2018.

Voluntary benefits
The Group again offered employees in Germany numerous voluntary benefits in 2017, including an employer-funded company pension plan, healthcare schemes and a bonus plan for employees who work at the company for a certain number of years.

HUMAN RESOURCES FIGURES[1]

	2017	2016
Part-time employees	5.2%	5.2%
Expenses for personnel development in € million	1.8	1.7
Average age in years	39.7	39.7
Proportion of men	83.3%	83.0%
Proportion of women	16.7%	17.0%
Number of years with the company	8.5	8.6
Fluctuation	12.7%	11.8%
Sickness rate[2]	5.1%	4.8%

[1] Without temporary workers.
[2] Based on 59 percent of all employees (Germany and Austria only) (2016: 58 percent).

Sales, service and marketing

- Successful marketing via existing and new sales channels
- Long-term customer relationships built on close ties
- Strong resonance at industry trade fairs

Customer-centric culture – every thought and action begins with the customer. As such, the marketing and sales activities in every area of the company are tailored towards the specific needs of the company's target groups.

Global sales network

The Wacker Neuson Group's corporate culture enables an organization with decentralized responsibility, capable of responding quickly, collaboratively and unbureaucratically to the needs of sales partners and customers. One of the most important synergies resulting from the merger of Wacker and Neuson Kramer in 2007 is the ability to market the entire product portfolio through existing and new distribution channels. In 2017, this again resulted in a significant rise in sales, in particular for compact equipment.

Sales structures are aligned with local market dynamics and different brands and channels are used to market Group products, spare parts and services, for example direct sales channels, dealer networks, importers, retail chains and, most recently, digital channels. In most markets, the Wacker Neuson Group works with independent dealers, and in many cases local sales affiliates support and advise major customers and dealers in these countries. The Group continually optimizes its market- and customer-specific sales network in order to consolidate and further expand its position in different markets. In 2017, the Group identified and certified new dealers across the world. It acquired its former dealer in Slovakia in 2017 and incorporated it into its own network.

The Wacker Neuson e-store is now offering a complementary alternative to existing sales channels. This online platform provides a convenient way for customers to learn more about products, spare parts, accessories and services, check their availability, configure their preferred options in the case of compact equipment, and submit orders at any time. The e-store is currently available to end customers in Germany as well as dealers in Germany, the UK, France and the US, and will gradually be rolled out to other countries.

To further extend its market reach, the Group also partners with market leaders to distribute its products via their sales networks. For further information, refer to → page 33.

Diverse customer base

Diversification is becoming an increasingly important part of sales with a view to spreading economic risks more widely and achieving further growth. The Group's customer base in 2017 again included construction companies (public and private enterprises), gardening and landscaping firms, rental firms, the agricultural sector, municipal bodies, the energy sector, the mining sector and industrial companies. The Group is not dependent on individual customers to any significant degree and no single customer accounts for more than 5 percent of total revenue.

Individualized solutions and customer-centric strategy

During the period under review, the sales and service team focused on customer acquisition, promotional measures and attractive financing models via external service providers. The Wacker Neuson Group also offered customers individualized product and service solutions tailored to their needs and held various specialist seminars around the world. These were targeted at the internal sales and service team as well as at dealers and customers. Participants had the opportunity to find out more about the Group's efficient, versatile range of products and its extensive service offering.

Building lasting customer ties

Customers want machines that add economic benefits to their processes. A new product is only a market success if it adds value to customers (for instance by increasing efficiency), offers an attractive price/performance ratio and clearly stands out from competitor products. The Group therefore collaborates closely with its customers to ensure it understands exactly what they need. It involves customers in product development processes right from the beginning, allowing them to test equipment and machines before they are ready for market, thus ensuring that any suggestions for improvement are incorporated at an early stage.

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

Strong resonance at industry trade fairs

The company made successful appearances at many different industry trade shows in 2017, including Tiefbau live, Demopark, NordBau and Agritechnica in Germany as well as Conexpo and World of Concrete in the US. At each exhibition, the Wacker Neuson Group gave visitors a chance to experience an interesting assortment of products, services and innovative solutions, all designed to meet evolving customer needs. The Group uses trade shows as a platform for presenting new products, connecting with new customers and acquiring new dealers. In regions such as Southeast Asia and South America, exhibitions are an ideal opportunity for the Group to raise awareness of its brands.

Once a year, the Group organizes the Wacker Neuson Universe in order to showcase new products and innovations from the Wacker Neuson brand and give customers the chance to test these on site. It is the ideal platform for strengthening customer ties and also provides the company with valuable feedback directly from the market. This multi-day specialist event was held in and around the factory in Reichertshofen and attracted over 5,000 visitors.

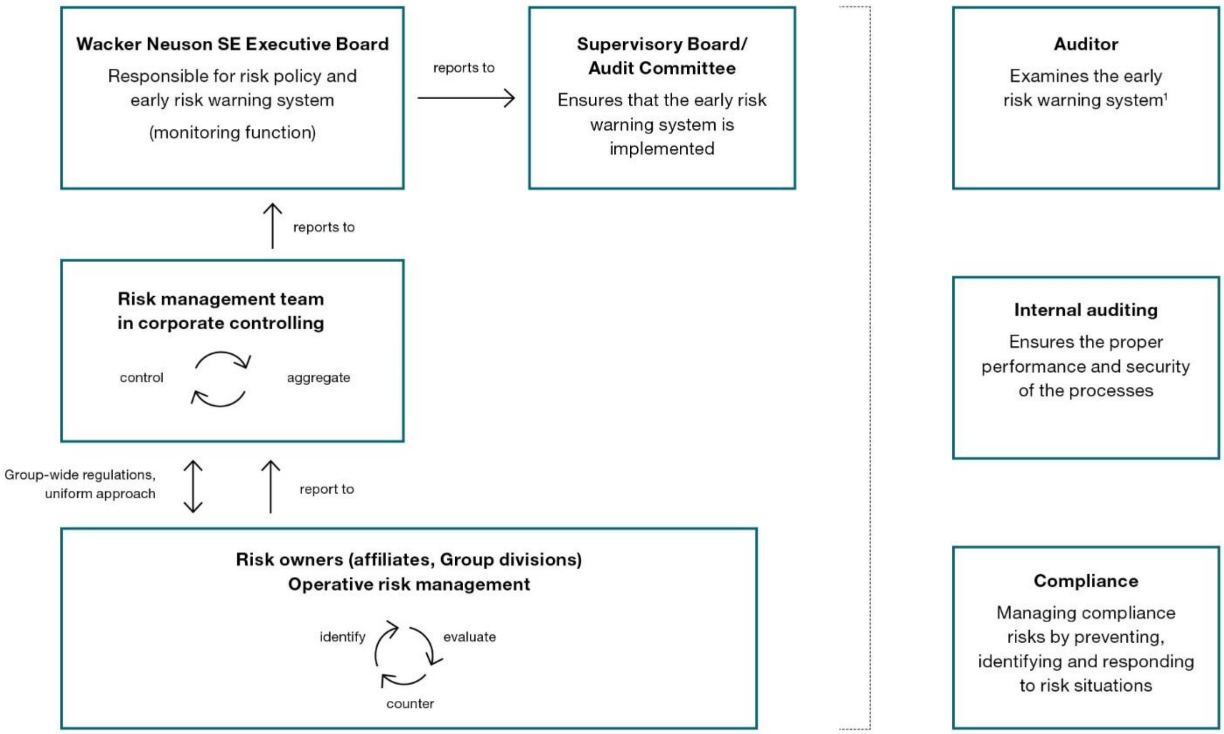
Risk report

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

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

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

FIG. 7 Control and risk management



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

Risk management system

The Group-wide risk management system serves as an early-warning safety net that identifies, assesses and appropriately communicates risks and enables the Group to implement corresponding counteractive measures in good time. This calls for the reliable identification, evaluation and monitoring of all risks that may prevent this goal from being achieved. Risks are evaluated on a rolling, 12-month basis at the end of the respective reporting period. The risk management system includes a planning process for each of the core business segments as well as comprehensive Group reports on all affiliates (which are regularly analyzed, discussed, evaluated and submitted to all decision-makers). The risk management system also covers process definitions for all business segments, Group auditing and compliance. → FIG. 7

The risk management handbook outlines the Group's risk policy in terms of defining, assessing and quantifying potential risks, and the structure and workflow of the risk management system. It also assigns roles and responsibilities for identifying, analyzing, monitoring and communicating risks. This allows us to take suitable measures to actively counteract known risks. The corporate controlling department collects data from the departments at Group headquarters and at the affiliates. Following completeness and plausibility checks, the data gathered is aggregated and made available to management, for example the Executive Board and the Supervisory Board.

The Group's comprehensive risk management system includes systematic financial risk management. For this, the Group has defined guidelines and policies for certain activities such as dealing with foreign currency risks, interest rate risks and credit risks, the use of derivative and other financial instruments and the use of liquidity surpluses. The risks are then assessed using both quantitative and qualitative methods that are uniform throughout the Group, allowing comparison across the various business segments. Please refer to the Notes to the Consolidated Financial Statements for further information on the risk management system (item 31). → Page 123

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

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

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

- The entities responsible for financial accounting are clearly defined at the level of Wacker Neuson SE and its affiliates. Responsibility has been vested in the accounting, controlling, auditing and treasury departments. Ultimate responsibility for financial accounting lies with the Board. Within financial accounting, in general there is a clear differentiation between booking and auditing financial data.
- Employees involved in financial accounting are qualified to the highest standards.
- The Group has suitable systems and processes in place for planning, reporting, controlling and risk management, and implements these across the Group. Reports due on a quarterly or monthly basis, financial accounting reports included, enable the Group to respond quickly to unexpected negative developments.
- The Group-wide procedural guidelines set down in the accounting manual, the tax manual and the treasury manual are accessible at all times to all relevant Group employees. Other regulations such as the rating guide and list of processes subject to second sign-off also apply. These guidelines guarantee uniform handling of similar scenarios throughout the entire Group. They are updated as required and aligned with new circumstances and requirements.
- Proven standard software supports accounting functions, and all systems deployed are secured against unauthorized access by third parties.
- Effective controls (including second sign-off and analytical checks) are in place for accounting-related processes (payment runs, for example).
- Processes related to financial accounting are regularly checked by internal auditing.
- Various internal bodies, such as the auditing department or the Audit Committee of the Supervisory Board, regularly review and rate the effectiveness of the internal control and risk management systems in relation to financial accounting processes.
- The audit performed by the auditor serves to examine whether the system identifies, evaluates, analyzes, communicates and regularly controls risks (system audit according to standard IDW PS 340.19 of the Institute of Public Auditors in Germany). According to IDW PS 340.6, concrete implementation measures to overcome and manage risks are not relevant for the early risk warning system pursuant to Section 91 (2) AktG and thus not relevant for the audit performed by the auditors pursuant to Section 317 (4) HGB.

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

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

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

Risks

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

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

RISK PROBABILITY

CATEGORY

	Risk probability as a %
Low	> 0 to 5
Medium	5 to 20
High	20 to 50
Very high	50 to 99

RISK EXPOSURE

CATEGORY

	Value of anticipated damages
Low	Limited impact, < €1 million EBIT risk
Medium	Some impact, > €1-2 million EBIT risk
High	Significant impact, > €2-10 million EBIT risk
Very high	Damaging impact, > €10 million EBIT risk

Individual risks with a risk exposure of > 5 percent of Group EBIT (Group EBIT 2017: EUR 131.4 million) are considered the largest individual risks at Group level:

GREATEST INDIVIDUAL RISKS AT DECEMBER 31, 2017

RISK CLASS

	Risk probability	Change relative to previous year
Currency devaluation	High	Decreased
Drop in demand in target industries	Medium	Decreased

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

To aid understanding and better explain the effects, individual risks are assigned to the following categories:

DISTRIBUTION OF RISK ACCORDING TO CATEGORY

AS A %

	Percentage share of total risk
Environment and industry risks	28.6
Financial risks	37.5
Performance-related risks	25.6
Other risks	7.7
Legal risks	0.6

RISKS ACCORDING TO CATEGORY

	Risk probability	Risk exposure	Change compared with previous year
Environment and industry risks			
Economic risks	Medium	Medium	↘
Increase in competition	High	High	→
Drop in demand in target industries	Medium	High	↘
Financial risks			
Loss of receivables	Medium	High	→
Loss of bank balances	Medium	High	↘
Currency devaluation	High	Very high	↘
Performance-related risks			
Product-related risks	High	Low	↘
Delivery delays (suppliers or production)	High	High	↗
Price increases in parts supplied by third parties or raw materials	Very high	High	↗
Other risks			
Loss of knowledge / employee churn	High	Medium	→
Strategic project and process risks	High	Medium	→
Legal risks	Medium	Low	↘

↗ Worse → Unchanged ↘ Better

For reasons of materiality, this table does not include individual risks with low risk exposure.

Environment and industry risks (risks related to the overall economic situation, the industry, locations and countries as well as risks related to expansion into new markets, the launch of new products, acquisitions and the integration of new companies, and investment risks)

At around 29 percent, environment and industry risks account for a sizeable share of overall risk (2016: 31 percent). Risk exposure in this category has decreased compared with the previous year. This is attributable to the current positive economic climate in the core markets of Europe and North America, which are fueling a more positive business outlook and consistently high demand for products and services.

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

Although forecasts for the global agricultural and construction industries in 2018 and 2019 are positive, there is still an underlying risk that some markets could be affected by an economic downturn.

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

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

The Wacker Neuson Group uses direct and indirect distribution channels to sell its products. Its business success therefore depends to some extent on the performance of external sales partners, which can also impact on brand reputation, customer satisfaction and future buying behavior. The Group provides comprehensive support to its sales partners, also offering market-specific training to ensure that its brands and products are suitably positioned in the relevant markets (dealer qualification).

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

Demand on the international market is becoming increasingly concentrated, partly due to mergers and acquisitions among the Group's customer base. There is also the possibility of customers being taken over by financial investors. These types of developments can have a positive or negative impact on Wacker Neuson Group sales and revenue.

Financial risks (risks associated with financial instruments, exchange rate and interest fluctuations, financing and taxation)
Financial risks account for 38 percent of overall risk to the Group. This is a decrease on the previous year's figure of 40 percent. The risk exposure in this category is also considerably lower than in the previous year due to a reduction in foreign currency holdings, which mitigated the risk of devaluation.

The financial risk to the Group primarily stems from the ongoing risk of currency devaluation; a risk the Group has identified for certain emerging markets should their currencies fall sharply against the Group's production currencies (EUR/USD). This would diminish the value of revenue and profit from these countries when they are translated into the Group's consolidated financial statements, which are drawn up in euro.

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

Liabilities in foreign currencies have also increased due to the rise in production volumes in 2017. If exchange rates develop unfavorably for the company in relation to payables expressed in foreign currency, this will increase the value of liabilities expressed in euros. The Group is monitoring the corresponding currencies on an ongoing basis. The Group makes use of targeted hedging instruments to counteract the risks of devaluation.

Due to the Wacker Neuson Group's global business activities and the resulting tax obligations in various countries, there is a risk of an unfavorable Group tax rate arising, depending on how income develops in the different regions. There is also a risk of changes to tax laws and related conditions in individual countries.

In the case of an audit, the Group assesses the risk, taking all circumstances into account, and makes provisions to the extent that audit findings are binding and a reliable assessment is possible, or in the case of possible liabilities that are likely, reports them under contingent liabilities.

Please refer to the Notes to the Consolidated Financial Statements for further information on financial risks (items 24 and 31). → Pages 117 and 123

Performance-related risks (risks associated with procurement, production and R&D)
At around 26 percent, performance-related risks account for the third largest share of overall risks (2016: 19 percent). Risk exposure in this category has grown relative to the previous year. The risks of material price increases on the procurement side due to generally high demand as well as delayed delivery risks are the main reasons for this rise.

The Group requires raw materials to manufacture its products – particularly steel, aluminum, copper and crude oil. It also uses parts supplied by third parties. In addition, the Group relies on raw materials and parts supplied by third parties being free of defects and meeting the relevant specifications and quality standards. Defects in premanufactured parts could result in quality complaints by Wacker Neuson Group customers on the one hand and slow production on the other, which may ultimately delay product deliveries to customers. These scenarios could damage the Group's brand and corporate image and potentially result in contractual penalties, claims for damages and losses in market share. The Group is countering this risk by preemptively qualifying key suppliers, rating the key indicators of quality, timescale and cost. These key suppliers are supported on site by qualified Wacker Neuson Group personnel at every step of the process flow, from initial nomination through prototyping to series production. To ensure security of supply, the Group focuses on ensuring short lead times so that it can react to fluctuations in demand. In order to reduce the risk associated with suppliers yet further, a code of conduct for suppliers was introduced in 2015. The aim for the Group here is to ensure a sustainable supply chain and prevent the risk of reputational damage as a result of supplier shortcomings.

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

The risk of temporary production limitations or individual suppliers being shut down is particularly high in China due to environmental pollution and the accompanying environmental inspections. The Wacker Neuson Group analyzes these risks on a continuous basis (including as part of audits) and seeks out additional supply sources outside of the affected areas and also beyond China.

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

Increases in the prices of raw materials, in particular for steel but also for other components, caused by a rise in demand, speculation on the raw materials markets, and exchange rate fluctuations could push up the cost of materials. Raw materials prices rose sharply in 2017, with steel and plastic components as well as energy costs particularly affected. For 2018, there is a risk that suppliers will demand higher prices for raw materials. These price increases in the procurement market could lead to higher manufacturing costs. The Group is countering this risk by developing a more flexible and diverse global procurement strategy and concluding longer-term contracts in some cases (fixed prices). The Group maintains regular contact with business partners and suppliers to jointly develop forward-looking solutions.

During the year under review, the Wacker Neuson Group focused strongly on the development of a new manufacturing facility in Pinghu, China, for the future assembly of excavators. Normal production got underway in early 2018. The start-up of production at a new location carries a range of risks, which could have a negative impact on the Group's profit levels. The main risks include: insufficient plant productivity, quality problems with suppliers and with in-plant assembly, production delays, and delivery delays affecting assemblies and parts from suppliers. The Group is countering these risks through extensive training for new hires at the plant, careful selection and qualification of suppliers, and establishing an efficient project management system for the initial phase of production and for developing further sites.

Political risks and punitive tariffs for commodities and commodity groups from certain countries of origin could also in principle lead to higher manufacturing costs. While this risk cannot be ruled out in times of political and economic uncertainty, the Group is attempting to minimize the potential impact as much as possible by manufacturing purchased parts "in the region, for the region".

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

The Group is closely monitoring political developments around the regulation of combustion engines and their use in urban areas and – if necessary – quickly incorporating any policy changes into R&D planning. If any individual bans are imposed on the use of diesel-powered compact and light equipment in cities, the Group already has a basic portfolio of zero-emissions products which it is expanding all the time.

Legal risks (risks related to pending legal proceedings, patent and trademark law)

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

Warranty and product liability claims can result in claims for damages and injunctions. The Wacker Neuson Group is minimizing this risk by taking the greatest of care in the development and manufacture of its products on the one hand and, on the other, by drafting contracts carefully and ensuring they are properly enforced.

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

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

Other risks (risks in the areas of HR, strategy, processes, IT and environment)
The success of the Wacker Neuson Group is due in large part to the skill and motivation of its employees. The loss of highly qualified people in key positions could impact negatively on the Group's growth plan. The Group is countering this risk by offering employees incentives to commit themselves to the company, for example attractive remuneration, long-term personal development opportunities and active internal successor management.

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

The company uses IT systems in numerous areas. Failure of these systems could negatively impact on production and the flow of goods, resulting in loss of revenue. The Group is countering this risk through IT backup strategies and the use of standard software as well as professional hardware security. It is pursuing a strict project management policy to counter risks that can occur during the roll-out of global IT systems and to prevent additional costs.

There is also a risk that increasingly strict environmental legislation could entail additional costs at the production facilities or fines as a result of non-compliance. The Wacker Neuson Group is mitigating this risk by constantly monitoring the legal regulations and ensuring full compliance. It also took the step of introducing a central energy and environment management system in 2014.

The Wacker Neuson Group continues to expand its business segments as well as its sales and service network in line with the Group's growth strategy. This involves investments, which may not necessarily be recouped. Unforeseeable risks can also arise within individual projects and delay execution. The Group is managing these risks by adapting its execution timing to current market dynamics, carefully examining all planned investments and possible risks, pursuing a lean project management policy, and maintaining a high level of self-financing in combination with a high equity ratio.

The company is also exposed to risks in connection with its ongoing international expansion activities. If the Group's medium- to long-term expansion plans do not pan out as anticipated, or if sales and revenue plans cannot be realized due, for example, to lower-than-anticipated demand for Group products in certain countries, there is a risk that long-term growth strategies may have to be changed or downscaled. The Group counters this risk by setting up specialized teams of market developers, by regularly evaluating the success of its measures, by applying high quality standards for market analysis and development, and by organizing regular review meetings.

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

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

Summary of risk situation facing the Group (assessment of risk situation by management)
Viewed as a percentage of overall risks, the main risks lie in the environment and industry, financial, and performance-related categories. Together, these three categories represent around 92 percent of total risk (2016: 90 percent).

Projection of the Group-wide risk situation places the overall risk 21 percent lower than that projected last year. The main reason for this decrease is the lower exposure to environment and industry risks, which is mainly due to the more positive business outlook in Europe and America. The exposure to financial risks was also significantly reduced – above all due to the downgrading of the devaluation risk. The main risks are listed in this risk report.

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

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

Main non-financial risks
EU Directive 2014/95/EU on the disclosure of non-financial information requires companies to also report on basic non-financial risks arising from their business activities with an impact on environmental matters, social and employee-related matters, respect for human rights, anti-corruption and bribery matters. The Group reports on these basic non-financial risks in a non-financial Group statement, which is published as a separate Group report. → Page 72

Opportunity management system
Opportunities relate to internal and external developments that could have a positive impact on the Group. The direct responsibility for identifying and managing opportunities in a timely manner is vested in committees rather than specific individuals. These committees make decisions on matters like strategic projects initiated by the Group in response to changing market and customer requirements. These committees include experts and high-ranking decision-makers from across

the Group. The Wacker Neuson Group's decision-making process focuses on opportunities while at the same time taking the associated risks into account. Opportunities should be identified at an early stage and adapted to the needs of the Group to improve the chances of successful capitalization on those opportunities. Selected potential opportunities for the Wacker Neuson Group are outlined in the "Opportunities for future development" section. → Page 76

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

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

Composition of subscribed capital

At December 31, 2017, the company's share capital amounted to EUR 70,140,000.00, divided into 70,140,000 individual no-par-value nominal shares, each representing a proportionate amount of the share capital of EUR 1.00 according to Section 3 (2) of the Articles of Incorporation of Wacker Neuson SE. There is only one type of share; all shares are vested with the same rights and obligations as outlined in detail in particular under Sections 12, 53a, 133 ff. and 186 AktG. The provisions of AktG apply to Wacker Neuson SE in accordance with Section 9 (1) c) ii) and Section 10 of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (referred to as "SE Regulation" in the following), unless otherwise specified in the SE Regulation.

Restrictions affecting voting rights or the transfer of shares

Information on the pool agreement

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

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

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

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

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

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

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

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

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

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

The voting rights held by the below-mentioned shareholders correspond to around 63.1 percent of the share capital. The shareholders are bound to exercise these voting rights under the terms of a reciprocal pool agreement (see “Restrictions affecting voting rights or the transfer of shares”). → Page 68

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

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

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

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

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

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

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

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

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

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

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

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

Treasury shares

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

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

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

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

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

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

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

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

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

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

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

Authorized Capital 2017

The authorization approved at the AGM on May 22, 2012 entitling the Executive Board to increase the company's share capital by a maximum of EUR 17,535,000.00 (Authorized Capital 2012) expired on May 21, 2017. A new authorization was approved at the AGM on May 30, 2017.

According to Article 3 (3) of the Articles of Incorporation, the Executive Board is authorized to increase the company's share capital by May 20, 2022, with the approval of the Supervisory Board, by issuing new, registered shares against cash contributions, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000 (Authorized Capital 2017).

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

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

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

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

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

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

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

Wacker Neuson SE, the Wacker Neuson Group must negotiate with John Deere regarding the sale of its shares in Kramer-Werke GmbH to John Deere, to the extent permitted by law.

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

There is no such agreement.

Concluding remark

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

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

On March 19, 2018, the Executive Board of Wacker Neuson SE issued a corporate governance declaration pursuant to Section 289f in combination with Section 315d of the German Commercial Code (HGB). This can be downloaded from the Wacker Neuson SE website at → http://wackerneusongroup.com/en/investor-relations/corporate-governance/declaration-about-corporate-governance/.

Disclosure of non-financial information by the Group for 2017

Implementation of EU Directive 2014/95/EU mandating the disclosure of non-financial information by German legislators means that the majority of German companies that trade on a regulated market are obliged as of fiscal 2017 to report every year on environmental, social and employee-related issues and provide information on the observance of human rights and the prevention of corruption and bribery. In recent years, the Wacker Neuson Group has already been publishing information on its sustainability performance within the framework of its Annual Report and also through annual CSR fact books. For fiscal 2017, the Wacker Neuson Group has issued a non-financial Group statement in accordance with Section 315b HGB. This separate non-financial Group report was published at the same time as the Annual Report. The 2017 non-financial Group report published by the Wacker Neuson Group is also available on the company website at http://wackerneusongroup.com/en/sustainability/.

Remuneration framework

Information on the Executive Board

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

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

The Executive Board's remuneration comprises:

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

The individual remuneration components are as follows:

- The annual fixed salary is paid in equal monthly installments.
- The variable salary is based on average consolidated earnings after taxes for the previous three fiscal years, as reported in the approved Consolidated Financial Statements for the respective fiscal years, as well as on the return on capital employed as reported in the Consolidated Financial Statements. The Group's performance is another indicator for determining variable salary, measured by a combination of the extent to which revenue goals are achieved and the size of the EBIT margin. The variable salary based on this indicator is paid out only in part on approval of the Consolidated Financial Statements for the fiscal year in question. The remaining part (longer-term component) is paid out only if the performance indicators in the two subsequent years lie above a defined threshold. An upper threshold for the overall variable remuneration has been agreed for all Executive Board members.
- The proportion of the variable remuneration within the overall remuneration package differs in each individual case and ranges from 60 to 67 percent for 100-percent achievement of targets.
- If Executive Board member employment contracts are terminated prematurely, but not for good cause, the members of the Executive Board shall each receive compensation in the amount of their average discounted annual remuneration for the remainder of the contractual period including their variable remuneration, up to a maximum of two annual remunerations. If a contract is terminated after the age of 55 and prior to the member reaching the age of 62, the member of the Executive Board in question may claim transitional payments.

- If they are temporarily prevented from working through no fault of their own, members of the Executive Board continue to receive their fixed annual salary and bonus for a limited period. In the event of death, widows and dependent children receive corresponding payments for a limited period. This does not affect widow's and orphan's pensions under the pension commitment.
- The non-cash remuneration and other remuneration includes a subsidy for health insurance and pension provisions, premiums for accident insurance, the use of a company car, etc.
- Under the pension commitment, members of the Executive Board receive an old-age pension for life when they reach the age of 62 (or in older cases, the age of 60) unless the employment relationship with the company was terminated for good cause for reasons that lie within the responsibility of the respective Executive Board member. In addition, an invalidity pension is paid in the event of disability, and a widow's and orphan's pension is paid in the event of death. Other remuneration may have to be offset against these amounts payable.

Total remuneration for the Executive Board

Total remuneration for the Executive Board in the fiscal year amounted to EUR 4.7 million (2016: EUR 3.5 million). Total remuneration for the Supervisory Board for the same period amounted to EUR 0.5 million (2016: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed to refrain from itemizing information in line with Section 61 of the SE Regulation in conjunction with Section 285 no. 9a sentences 5 to 8 HGB and Section 314 (1) no. 6a sentences 5 to 8, as well as Section 315a (1) HGB (in the applicable version), in accordance with Section 286 (5) sentence 1, Section 314 (3) sentence 1, Section 315a (1) HGB.

Information on the Supervisory Board

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

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

Supplementary report

Please refer to the Notes to the Consolidated Financial Statements (Note 28) for information on events since the reporting date, December 31, 2017. → Page 121

Opportunities and outlook

Overall economic outlook

- Slight acceleration in global economic growth expected
- Investment in machinery and equipment a growth driver
- Strong growth in the USA – Europe and Germany in cyclical upturn – China remaining positive

Upbeat outlook

According to the International Monetary Fund (IMF), growth will pick up slightly in the global economy during 2018, with experts anticipating a 3.9 percent increase. All parts of the world are expected to experience positive momentum. While mature markets can expect a moderate rate of 2.3 percent, emerging economies should see continued strong growth at a rate of 4.9 percent, with country-specific variations. In the United States, the tax reforms pushed through at the end of 2017 will likely give a short-term boost to the economy, and favorable fiscal policies around the world should sustain this high level of demand. The global economic upturn is primarily being fueled by a marked increase in world trade, which had remained sluggish for some time. Whereas private consumption has driven most of the growth up to now, investment in machinery and equipment is starting to gain traction – both in industrialized countries and emerging economies.

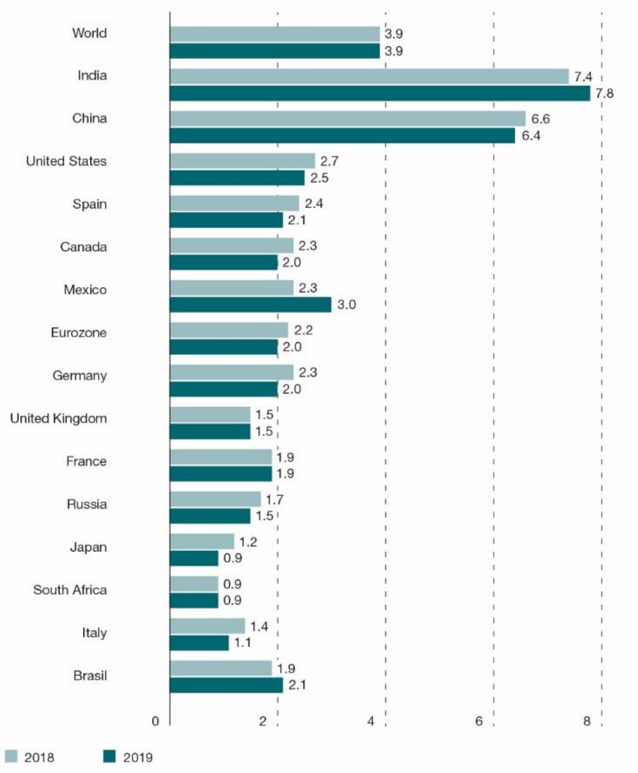
The future development of the global economy faces a number of challenges. In the short term, the IMF expects a continuation of 2017's upward trend. In the medium term, however, risks around the globe will increasingly tilt to the downside. The future direction of US monetary and fiscal policy is difficult to gauge. Other factors also have the potential to upset the market, including the possibility of trade restrictions, the ongoing Brexit negotiations between the EU and the UK government, as well as general geopolitical uncertainties.

The IMF forecasts that the eurozone economy will grow by 2.2 percent in 2018. In Germany, growth is expected to reach 2.3 percent. The political unrest in Spain is likely to limit growth there to just 2.4 percent, according to the IMF. The growth forecast for Italy is 1.4 percent. In France, meanwhile, year-on-year growth is expected to rise by 1.9 percent. The UK economy is forecast to grow by 1.5 percent. Negotiations on the country's future trading relationship with the EU are still underway with a question mark over the possibility of trade barriers; dampened by the prospect of an outflow of people and uncertainty over cross-border financial transactions. In the meantime, devaluation of the British pound has put a dent in real incomes and weakened consumer spending.

The United States can expect short-term growth in line with the IMF forecast. The tax reforms adopted toward the end of 2017 are set to have a highly positive impact on willingness to invest. Added to this, foreign demand should rise faster than previously expected. This places the growth prediction for 2018 at 2.7 percent. However, the experts also express caution about the medium-term uncertainty around implementation of the comprehensive economic action plan. They say that the lower tax intake will not be offset by cuts in government spending in the short term. Accordingly, the budget deficit is likely to have a negative effect on economic growth from 2022 onwards.

GLOBAL GDP GROWTH 2018E AND 2019E

AS A %



Source: IMF, World Economic Outlook, Update January 2018.

In 2018, emerging economies should be able to capitalize on the turnaround that began last year. The Russian economy has rallied well and further improvement is expected in 2018. After regaining some momentum in 2017, the Chinese economy is set to continue along the same trajectory in 2018 with growth of 6.6 percent. To achieve its aim of doubling GDP growth between 2010 and 2020, the Chinese government will have to continue to ensure that it has an appropriate expansion policy in place. The biggest growth driver among the emerging economies will continue to be India, where growth of 7.4 percent is expected.

Outlook for construction and agricultural industries

- Positive outlook for the construction sector
- Global demand for construction equipment set to rise
- Upbeat mood among European agricultural machinery manufacturers

Good global prospects for construction equipment sector
2018 looks set to be a positive year for the construction sector in the key European markets for the Wacker Neuson Group. For Europe, the Euroconstruct research institute predicts a 2.6-percent increase in construction investment. While Germany, Spain, Italy and France are all set to benefit from the positive trend according to the Committee for European Construction Equipment (CECE), there are fears of a downturn in the UK. Meanwhile, the prospects for the German construction industry continue to look favorable. The Federation of the German Construction Industry and the Central Association of German Construction jointly made a growth forecast of 4 percent. This will be bolstered by forward-looking policy decisions such as the 2030 Federal Transport Infrastructure Plan aimed at improving Germany's road network, and the EUR 100 billion to be invested in the national broadband infrastructure by 2025. A pick-up in residential construction and expansion of facilities to capture renewable energy are also set to drive this growth. According to the German Engineering Federation (VDMA), investment in construction equipment will rise everywhere in the world by 2020. Australia and Africa will lead the way with growth of 4 percent per annum.

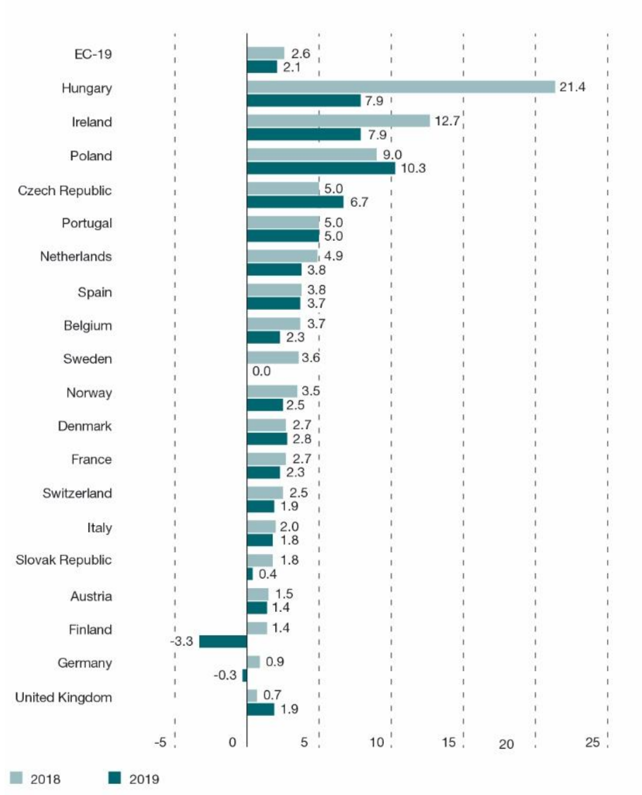
In China, 2017 also proved to be a very good year for the world's largest construction equipment market. The medium-term forecast will remain buoyant due to new plans to improve and restructure the national economy, which will involve infrastructure building and maintenance projects. Strong demand for infrastructure investment will continue to provide major opportunities for global construction equipment manufacturers in the long term.

In Europe, construction investment over the coming years will largely be focused on general renovation and modernization projects. Looking ahead, investment in new builds will also play an important role, however. Steadily rising migrant numbers in many European countries are increasing demand for housing. Advances in technology are expected to provide further impetus. The European Fund for Strategic Investments, which runs until 2018, will continue to stimulate growth and employment in infrastructure projects.

Toward the end of 2017, the massive investment in US infrastructure which formed a cornerstone of Donald Trump's election program was being questioned for the first time. But now initial signs are emerging from Washington that a large-scale infrastructural program is indeed on the cards for 2018. On the 2016 campaign trail, Donald Trump had promised to invest up to one trillion dollars in modernizing and expanding the country's transport, power and telecommunication networks over the next decade.

Asian countries like India and Vietnam are also likely to invest heavily in their infrastructure in coming years, notably in the expansion and modernization of roads, airports and rail networks and the building of bridges; the expansion of utility services (energy, waste and water);

EXPECTED GROWTH IN THE EUROPEAN CONSTRUCTION SECTOR: 2018E AND 2019E



Source: Euroconstruct, November 2017.

the construction of schools, universities and hospitals; the roll-out of telecommunication networks; as well as the recovery of raw materials. European construction equipment manufacturers with a strong position in these markets are set to benefit from these measures. Once the major infrastructure projects are complete, demand for investments in maintenance and expansion work will rise.

Optimism in European agricultural equipment sector
According to the business barometer of CEMA (European Association of Agricultural Machinery Industry), sentiment among European agricultural machinery manufacturers remains positive. The forecasts of the VDMA for global agricultural technology markets are also more optimistic than in recent years. The global market volume for 2018 is expected to be higher than that of the previous year. In Europe, the recovery signals from last year should gain ground, with growth of 3 percent expected. The upturn in the European market will also be evident in Germany, where the momentum of 2017 will give rise to growth ranging between 4 and 10 percent in 2018. According to the barometer for agricultural activity issued by the German Farmers' Association, there was a further rise in willingness to invest among German landowners. The investment spend earmarked for the first six months of 2018 was EUR 4.0 billion – EUR 0.4 billion higher than the previous year's figure. Meanwhile, the VDMA sees growth potential

FIG. 8 Trends driving Group business

Construction industry

- Modernization of infrastructure in mature and emerging markets
- Products and services adapted to local customer requirements
- Expansion of broadband networks (super-fast Internet)
- Reconstruction (renovation, modernization)
- Increase in residential and non-residential construction in cities (urbanization)
- Greater emphasis on environmental protection (stricter emissions legislation)
- Digitalization of products and services

Agriculture and other sectors

- Increasing global demand for food and fodder due to population growth
- Shift towards larger holdings (especially in Europe) with greater demand for mechanization (multifunctional equipment)
- Increasing industrialization/automation of agricultural operations, including in emerging economies
- More efficient transportation of material in the industrial sector
- Greater emphasis on environmental protection (stricter emissions legislation)
- Digitalization of products and services

possibly also coming from Russia, India and South America in particular. The markets of the NAFTA region, Japan and Turkey are slowly catching up with the positive trend experienced in other markets.

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

Opportunities for future development

- New "Strategy 2022" roadmap targets market share gains and lasting increase in profitability
- Uncompromising customer focus
- Revenue and profit increases expected in 2018/2019

Growth drivers

Global trends affecting the construction and agricultural industries will fuel a sustained rise in demand for compact and light equipment worldwide. The biggest growth drivers for the Group will be as follows:

- Population growth: By 2050, the world's population will have grown from today's 7 billion to over 9 billion, with the less developed nations accounting for the majority of this growth. This will push up global demand for food and other basic necessities.
- Urbanization: By the year 2025, around two thirds of the world's population will be living in cities. Megacities in developing and emerging countries with populations of over 10 million will be facing the greatest challenges in terms of construction, housing and infrastructure. Infrastructure and urbanization projects around the world will increasingly require high-quality light and compact equipment. In Asia in particular, greater purchasing power and rising demand from new groups of consumers will lead to more construction activity.
- Climate change: Global warming (the greenhouse effect) and air pollution are set to increase while the earth's resources become more scarce.
  In the automotive industry, for example, around 30 percent of CO_2 emissions in Germany are already caused by fuel combustion. Efforts to transition to a fossil-free future and protect the global ecosystem will increasingly focus on renewable energy and e-mobility.

These trends present long-term opportunities for the Wacker Neuson Group, enabling it to build on its leading technical expertise in light and compact equipment and expand across the globe.

New "Strategy 2022" roadmap

The Group has added new services and product innovations to its portfolio in recent years to align its offering more closely with customer requirements, taken lead positions ahead of the competition and greatly enhanced brand awareness internationally. The potential of the 2007 merger between Wacker and Neuson Kramer has already been successfully realized in the intervening years, with still more scope for above-average growth in the future.

By setting out its new "Strategy 2022" roadmap, the Group now intends to consolidate its position as one of the world's leading manufacturers of light and compact equipment. In the future, Wacker Neuson will further strengthen its sense of customer centricity – every thought and action will begin with the customer. The Group is guided by the three pillars of its strategy: Focus, Acceleration and Excellence. → FIG. 9

A key element of "Strategy 2022" is placing a strong focus on the core markets of Europe and North America. The Group intends to increase its market share in these regions with core products. Profitable segments are set to be developed further. In the period up to 2022, China will also become an important market for the Group.

New products and services will increasingly be developed in collaboration with customers to better meet their requirements in terms of quality, availability and cost. A strong commitment to service, fast response times and quick problem fixes will further enhance the customer experience. In addition, Wacker Neuson wants to expand the international footprint of its spare parts business.

Wacker Neuson has a long tradition of innovation and will continue to invest in targeted research and development to expand its service portfolio and reinforce its position as a technology leader in its core markets. Areas like energy efficiency, alternative drive technologies, driver assistance systems and smart digital networking of products and services will play a key role here.

The Group is also busily developing new business models and continuously optimizing processes likes sales support and production planning. Striving for even greater operational excellence, Wacker Neuson aims to maintain and build on the high quality of its products, processes and workflows in all departments. The keys to success identified by the Group include streamlining its internal structures to speed up and improve its workflows, ensuring ongoing employee development, and fostering commitment, agility and teamwork.

Vision 2022

By the year 2022, the Group wants to be recognized as the most innovative trendsetter in the industry and be growing twice as fast as the market. Being the partner of choice for customers entails long-term partnerships, application-focused product development, digitalization and networking of products and services. The Group will rely on a values-based corporate culture to achieve its leadership ambitions.

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

FIG. 9 "Strategy 2022"

Forecast

Revenue and profit growth expected in 2018

Business developed positively in the first few weeks of fiscal 2018. Wacker Neuson's target markets are in good shape on the whole and the order books are well filled.

The Executive Board predicts overall revenue for fiscal 2018 of between EUR 1.65 and 1.7 billion, which corresponds to growth of 8 to 11 percent (2017: EUR 1.534 billion). The EBIT margin[1] is expected to lie between 9.0 and 10.0 percent (2017: 8.6 percent).

The volatile course of the US dollar is causing some uncertainty. The forecast is subject to the caveat that no significant political events occur in the world's major economies leading to a change in economic circumstances.

OVERVIEW

	2018e	2019e
Revenue	€1.65 to 1.70 bn	Further growth
EBIT margin[1]	9.0% to 10.0%	Better
Investments	approx. €60 million	Adapted to market developments

[1] Based on operational profitability – discounting one-off income from a potential transaction related to a real estate deal made by the Group.

Segment trends

For 2018, single-digit growth is expected in the core markets of Europe, while a double-digit figure is predicted in the US and in the Asia-Pacific region. China's share of total revenue is set to increase in 2018 following the start of local production.

The Group predicts growth through 2018 for all three business segments (light equipment, compact equipment and services). Compact equipment is expected to continue developing at a dynamic pace, fueled primarily by increased international sales. The services segment will continue to grow in line with the rise in sales.

Planned financing options, future investments and cost trends

The Group intends to continue to invest in profitable projects and develop the company further – across all regions and lines of business. For fiscal 2018, the figure earmarked for investments is approximately EUR 60 million (2017: EUR 47.4 million)[2].

The net working capital for 2018 as a percentage of revenue is expected to remain at the same level as the previous year (2017 average: 36.1 percent). This includes targeted measures to increase inventory in preparation for the new emissions regulation EU Stage V (2020).

The Group's strong financial position and market reach provide it with a good foundation to win new market shares and achieve profitable growth. The Group intends to maintain its comparatively high equity ratio, which currently stands at around 69 percent. Net financial debt is relatively low, and the Group's financial situation is correspondingly healthy. The Group aims to leverage these strong financials and assets to help drive a robust level of growth also over the coming years.

The Group is planning further collaborations in the medium to long term and is open to possible acquisitions.

Outlook through 2019

From its current standpoint, the Executive Board predicts revenue growth and a further profit growth for fiscal 2019.

Summary forecast

The Wacker Neuson Group expects strong performance in fiscal 2018 and fiscal 2019.

The global trend towards infrastructure expansion and improvement offers opportunities for the Group's business model. At international level, investments will continue to be made in road, rail and telecommunication networks as well as in the modernization of buildings, fueling demand for compact and light equipment. The Group is keeping pace with this by focusing on its core markets, selectively expanding its international presence and developing competitive products and services. It is important that the Group's shareholders continue to share in its success. The company therefore aims to maintain its sound dividend policy and plans to make annual dividend payments to shareholders provided its projections are accurate.

Munich, March 19, 2018

Wacker Neuson SE, Munich, Germany

The Executive Board

Martin Lehner
CEO

Alexander Greschner
CSO

Wilfried Trepels
CFO

[1] Based on operational profitability – discounting one-off income from a potential transaction related to a real estate deal made by the Group.
[2] Investments in tangible and intangible assets; does not include the Group's own rental equipment.

Consolidated Financial Statements

Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2017	Jan. 1 – Dec. 31, 2016
Revenue	(1)	1,533.9	1,361.4
Cost of sales		-1,097.4	-983.9
Gross profit		**436.5**	**377.5**
Sales and service expenses		-199.1	-193.5
Research and development expenses		-35.8	-34.8
General administrative expenses		-76.6	-68.6
Other income	(2)	10.9	10.8
Other expenses	(4)	-4.5	-2.6
Profit before interest and tax (EBIT)		**131.4**	**88.8**
Financial income	(5a)	7.7	1.5
Financial expenses	(5b)	-13.7	-8.9
Profit before tax (EBT)		**125.4**	**81.4**
Taxes on income	(6)	-37.9	-24.2
Profit for the year		**87.5**	**57.2**
Of which are attributable to:			
Shareholders in the parent company		87.5	56.8
Minority interests		–	0.4
		87.5	57.2
Earnings per share in euros (diluted and undiluted)	**(7)**	**1.25**	**0.81**

Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017 (previously recognized under cost of sales). Prior-year values have been adjusted accordingly.

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION	Notes	Jan. 1 – Dec. 31, 2017	Jan. 1 – Dec. 31, 2016
Profit of the year		**87.5**	**57.2**
Other income			
Income to be recognized in the income statement for subsequent periods			
Exchange differences		-30.5	5.6
Cash flow hedges		-0.3	–
Effect of taxes on income		0.1	–
Income to be recognized in the income statement for subsequent periods		**-30.7**	**5.6**
Income not to be recognized in the income statement for subsequent periods			
Actuarial gains/losses from pension obligations		0.9	-6.0
Effect of taxes on income		-0.3	1.7
Income not to be recognized in the income statement for subsequent periods	**(18)**	**0.6**	**-4.3**
Other comprehensive income after tax		**-30.1**	**1.3**
Total comprehensive income after tax		**57.4**	**58.5**
Of which are attributable to:			
Shareholders of the parent company		57.4	58.1
Minority interests		–	0.4
		57.4	**58.5**

Consolidated Balance Sheet

BALANCE AT DECEMBER 31

IN € MILLION

	Notes	Dec. 31, 2017	Dec. 31, 2016
Assets			
Property, plant and equipment	(8)	292.0	321.5
Property held as financial investment	(9)	26.8	23.2
Goodwill	(10a)	237.4	238.6
Intangible assets	(10b)	125.6	124.9
Deferred tax assets	(6)	40.5	39.1
Other non-current financial assets	(11)	29.9	24.5
Other non-current non-financial assets	(11)	4.9	1.2
Total non-current assets		**757.1**	**773.0**
Rental equipment	(12)	119.5	106.4
Inventories	(13)	431.4	443.1
Trade receivables	(14)	235.1	213.8
Tax offsets		6.5	9.9
Other current financial assets	(15)	8.3	2.5
Other current non-financial assets	(15)	16.6	14.5
Cash and cash equivalents	(16)	27.3	17.6
Non-current assets held for sale	(17)	14.1	–
Total current assets		**858.8**	**807.8**
Total assets		**1,615.9**	**1,580.8**
Equity and liabilities			
Subscribed capital	(18)	70.1	70.1
Other reserves	(18)	582.3	612.4
Net profit/loss		462.4	404.6
Equity attributable to shareholders in the parent company		**1,114.8**	**1,087.1**
Minority interests		**–**	**5.4**
Total equity		**1,114.8**	**1,092.5**
Long-term financial borrowings	(21)	155.0	30.0
Deferred tax liabilities	(6)	31.6	30.8
Long-term provisions	(19) (20)	54.7	54.3
Total non-current liabilities		**241.3**	**115.1**
Trade payables	(22)	128.0	87.6
Short-term borrowings from banks	(21)	20.3	190.5
Current portion of long-term borrowings	(21)	–	2.9
Short-term provisions	(20)	16.9	15.7
Tax liabilities		1.0	1.8
Other short-term financial liabilities	(23)	32.7	30.0
Other short-term non-financial liabilities	(23)	60.9	44.7
Total current liabilities		**259.8**	**373.2**
Total liabilities		**1,615.9**	**1,580.8**

As of fiscal 2017, rental equipment is reported under current assets (previously reported under property, plant and equipment). Prior-year values have been adjusted accordingly. For more information, refer to the Notes to the Consolidated Financial Statements, section 12 "Rental".

Consolidated Statement of Change in Equity

BALANCE AT DECEMBER 31

IN € MILLION

	Subscri-bed capital	Capital re-serves	Exchange diffe-rences	Other neutral changes	Net pro-fit/loss	Equity at-tributable to shareholders in the parent company	Minority interests	Total equity
Notes	(18)	(18)	(18)	(18)				
Balance at January 1, 2016	**70.1**	**618.7**	**6.6**	**-14.2**	**382.9**	**1,064.1**	**5.0**	**1,069.1**
Profit for the year	–	–	–	–	56.8	56.8	0.4	57.2
Other income	–	–	5.6	-4.3	–	1.3	–	1.3
Total comprehensive income	**–**	**–**	**5.6**	**-4.3**	**56.8**	**58.1**	**0.4**	**58.5**
Dividends	–	–	–	–	-35.1	-35.1	–	-35.1
Balance at December 31, 2016	**70.1**	**618.7**	**12.2**	**-18.5**	**404.6**	**1,087.1**	**5.4**	**1,092.5**
Profit for the year	–	–	–	–	87.5	87.5	–	87.5
Other income	–	–	-30.5	0.4	–	-30.1	–	-30.1
Total comprehensive income	**–**	**–**	**-30.5**	**0.4**	**87.5**	**57.4**	**–**	**57.4**
Dividends	–	–	–	–	-35.1	-35.1	–	-35.1
Reallocation of minority interests	–	–	–	–	5.4	5.4	-5.4	–
Balance at December 31, 2017	**70.1**	**618.7**	**-18.3**	**-18.1**	**462.4**	**1,114.8**	**–**	**1,114.8**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2017	Jan. 1 – Dec. 31, 2016
EBT		**125.4**	**81.4**
Adjustments to reconcile profit before tax with gross cash flows:			
Depreciation and amortization of non-current assets		43.2	40.7
Unrealized foreign exchange gains/losses		13.9	-4.9
Financial result	(5)	6.0	7.4
Gains from sale of intangible assets and property, plant and equipment		-1.1	-0.2
Changes in rental equipment, net		-15.4	-9.6
Changes in misc. assets		-22.3	-11.6
Changes in provisions		3.6	2.4
Changes in misc. liabilities		12.7	4.2
Gross cash flow		**166.0**	**109.8**
Changes in inventories		-11.8	37.2
Changes in trade receivables		-32.7	-32.8
Changes in trade payables		42.5	7.1
Changes in net working capital		**-2.0**	**11.5**
Cash flow from operating activities before income tax paid		**164.0**	**121.3**
Income tax paid		-26.0	-41.9
Cash flow from operating activities		**138.0**	**79.4**
Purchase of property, plant and equipment	(8)	-29.5	-32.3
Purchase of intangible assets	(10)	-17.9	-16.2
Proceeds from the sale of property, plant and equipment, intangible assets		8.4	4.5
Cash flow from investment activities		**-39.0**	**-44.0**
Free cash flow		**99.0**	**35.4**
Dividends	(18)	-35.1	-35.1
Cash receipts from short-term borrowings		57.4	76.7
Repayments from short-term borrowings		-228.8	-75.7
Cash receipts from long-term borrowings		124.9	–
Repayments from long-term borrowings		–	-2.0
Interest paid		-9.2	-8.1
Interest received		2.6	1.4
Cash flow from financial activities		**-88.2**	**-42.8**
Change in cash and cash equivalents		**10.8**	**-7.4**
Effect of exchange rates on cash and cash equivalents		-1.1	–
Change in cash and cash equivalents		**9.7**	**-7.4**
Cash and cash equivalents at the beginning of the period	**(16)**	**17.6**	**25.0**
Cash and cash equivalents at the end of period	**(16)**	**27.3**	**17.6**

Some items in the consolidated cash flow statement have been adapted compared with previous years: actuarial gains and losses from pension obligations have been allocated to changes in provisions to improve readability. Currency effects resulting from the valuation of receivables and payables in foreign currencies and from the valuation of cash and cash equivalents in the financial result are recognized in the "Financial result" correction line. Cash flow from operating activities now includes "Changes in rental equipment, net" as a separate item. This is intended to provide greater transparency over the Group's operating activities in relation to cash flow, in line with the change in balance sheet reporting. Write-downs on rental equipment were a component of the overall write-down total in the previous year's reporting. Cash flow from investment activities comprises the cash outlay for tangible and intangible assets less divestments. In the prior year, investments in rental equipment were recognized under property, plant and equipment and are now, for the reasons outlined above, listed under the item "Changes in rental equipment, net". Prior-year figures have been adjusted accordingly. For more information, refer to the Notes to the Consolidated Financial Statements, section 30. → Page 122

Consolidated Segmentation

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

SEGMENTATION (GEOGRAPHICAL SEGMENTS)

IN € MILLION

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

	Europe	Americas	Asia-Pacific	Consolidation	Group
2016					
Segment revenue					
Total sales	1,717.8	714.8	58.1		2,490.7
Less intrasegment sales	-605.8	-385.9	-3.3		-995.0
	1,112.0	328.9	54.8		1,495.7
Intersegment sales	-91.3	-37.1	-5.9		-134.3
Total	**1,020.7**	**291.8**	**48.9**		**1,361.4**
EBIT	**97.3**	**-9.5**	**-7.0**	**8.0**	**88.8**

Currency effects resulting from the valuation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017 (previously recognized under cost of sales). Prior-year values have been adjusted accordingly.

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

SEGMENTATION (BUSINESS SEGMENTS)

IN € MILLION

	2017	2016
Segment revenue from external customers		
Light equipment	422.7	377.9
Compact equipment	817.6	709.3
Services	320.4	297.2
	1,560.7	1,384.4
Less cash discounts	-26.8	-23.0
Total	**1,533.9**	**1,361.4**

Geographical areas

REVENUE ACCORDING TO COMPANY LOCATION

IN € MILLION

	2017	2016
Germany	606.4	542.8
USA	271.6	223.6
Austria	143.0	126.0
Other	512.9	469.0
Wacker Neuson overall	**1,533.9**	**1,361.4**

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

	2017	2016
Germany	244.0	240.1
Austria	339.8	338.1
USA	55.4	69.5
Other	47.5	61.6
Wacker Neuson overall	**686.7**	**709.3**

As of fiscal 2017, rental equipment is reported under current assets (previously reported under property, plant and equipment). Prior-year values have been adjusted accordingly. For more information, refer to the Notes to the Consolidated Financial Statements, section 12 “Rental”.

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

Notes to the Consolidated Financial Statements

General information on the company

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

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

General information on accounting standards

The following Consolidated Financial Statements for fiscal 2017 were prepared for the company in accordance with the International Accounting Standards (IAS) as approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) as interpreted by the IFRS Interpretation Committee (IFRS IC) as adopted by the EU, and in supplementary compliance with the provisions set forth in Section 315a (1) of the German Commercial Code (HGB). All valid and binding standards for fiscal 2017 have been applied.

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

Wacker Neuson SE’s fiscal year corresponds to the calendar year. The Consolidated Financial Statements for fiscal 2017 (which include prior-year figures) were approved for publication by the Executive Board on March 19, 2018.

Changes in accounting under IFRS

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

The following standards, amendments to standards and interpretations are mandatory as of January 1, 2017.

Name	Description	Mandatory as of[1]
IAS 7	Amendments to IAS 7: Disclosure initiative	January 1, 2017
IAS 12	Amendments to IAS 12: Recognition of deferred tax assets for unrealized losses	January 1, 2017
	Annual amendments (2014-2016): Amendments to IFRS 12:	January 1, 2017

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

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

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 permissible to apply them at an earlier date. At present, the Group aims to apply these standards as of the date on which they come into force.

Name	Description	Mandatory as of[1]
EU endorsement granted by date of approval for publication		
IFRS 9	Financial instruments (recognition, classification and measurement) and hedge accounting	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
IFRS 15	Clarifications of IFRS 15: Revenue from contracts with customers	January 1, 2018
IFRS 4	Amendments to IFRS 4: Application of IFRS 9 "Financial instruments" together with IFRS 4 "Insurance contracts"	January 1, 2018
IFRS 16	Leases	January 1, 2019
	Annual amendments (2014-2016)	January 1, 2017/2018
EU endorsement outstanding		
IFRS 2	Amendments to IFRS 2: Classification and measurement of share-based payment transactions	January 1, 2018
IAS 40	Amendments to IAS 40: Transfers of investment property	January 1, 2018
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019
IFRS 9	Amendments to IFRS 9: Prepayment features with negative compensation	January 1, 2019
IAS 28	Amendments to IAS 28: Long-term interests in associates and joint ventures	January 1, 2019
	Annual amendments (2015-2017)	January 1, 2019
IFRS 17	Insurance contracts	January 1, 2021
	Sales or contributions of assets between an investor and its associate / joint venture (amendments to IFRS 10 and IAS 28)	2

[1] For fiscal years that start on or after this date. Initial application in line with EU law or already endorsed under EU law.
[2] On December 17, 2015, the IASB decided to delay the initial application date of this amended standard indefinitely.

First-time application of the above-mentioned standards and interpretations is unlikely to substantially change the current accounting and valuation methods used by the Group, with the exception of the following amendments:

IFRS 15

IFRS 15 was published in May 2014. It introduces a five-step model framework for recognizing revenue from contracts with customers. Under IFRS 15, revenue is recognized in the amount of the consideration to which an entity can expect to be entitled in exchange for transferring promised goods or services to a customer (the transaction price as defined in IFRS 15). The new standard on revenue will replace all currently existing regulations on revenue recognition as per IFRS. For fiscal years starting on or after January 1, 2018, entities must apply the new standard retrospectively in full or opt for a modified retrospective application. The Group will apply the new standard on the date on which it comes into force, opting for the modified retrospective application. There were no changes relative to the previous practice. Furthermore, the Group has taken into consideration the clarifications published by the IASB in April 2016 and will continue to monitor further developments here.

(a) The sale of goods

Contracts with customers in which the sale of machines and spare parts are generally expected to be the only performance obligation are not likely to have an impact on Group revenue. The Group expects that the revenue will be realized at the point in time when control of the asset is passed to the customer. This is generally the case when goods are delivered. The Group takes the following aspects into consideration:

(i) Variable consideration

Contracts with customers provide for price concessions or volume discounts. The Group currently recognizes revenue from the sale of goods and equipment at fair value of the consideration received or to which it will be entitled after deduction of returns, refunds, price concessions and volume discounts. If revenue cannot be reliably determined, the Group does not recognize it until the point in time when it has established certainty as to the amount receivable. Under IFRS 15, the estimated variable consideration must be limited to prevent an inflated revenue figure from being recognized. The Group will continue to analyze individual contracts to determine the estimated variable consideration and the associated limitation. The Group does not expect the application of this limit to have any impact on Group revenue.

(ii) Warranty obligations

The Group's contracts with customers include warranties for general repair obligations as well as extended warranties and maintenance agreements. The Group does not expect that this amendment will have any material impact on Group revenue or result in any significant changes to its current practice.

(b) Presentation and disclosure requirements

The presentation and disclosure requirements of IFRS 15 go much further than the provisions set down in current standards. The new presentation requirements represent a significant change to current practices and will require much more information in the Consolidated Financial Statements in future. Many of the disclosure requirements in IFRS 15 are completely new. In fiscal 2017, the Group evaluated its systems to capture and disclose the requisite information.

IFRS 9

In July 2014, the IASB published the final version of IFRS 9 "Financial instruments", which replaces IAS 39 "Financial instruments: Recognition and measurement" as well as all previous versions of IFRS 9. IFRS 9 consolidates the three project phases for the accounting of financial instruments: 'Classification and measurement', 'Impairment' and 'Hedge accounting'. IFRS 9 is effective for the first time for fiscal years beginning on or after January 1, 2018. With the exception of hedge accounting, the standard must be retrospectively applied. However, comparative information does not have to be disclosed. The provisions for hedge accounting must, in general, be applied prospectively with only a few exceptions.

The Group intends to apply the new standard on the date on which it comes into force. In fiscal 2017, the Group carried out an evaluation to determine the impact of all three aspects of IFRS 9. The final evaluation is based on currently available information. Overall, the Group does not expect any material impact on its balance sheet or equity in connection with this new standard.

(a) Classification and measurement

The Group does not expect that application of the classification and measurement requirements of IFRS 9 will have a material impact on its balance sheet or equity. The Group assumes all financial assets that it holds at fair value will continue to be measured at fair value. In general, the information currently available indicates that there are no material financial assets or liabilities that are held at fair value. However, listed shares that are currently recognized as available for sale and whose profit or loss are disclosed in other income will be recognized at fair value in profit or loss. This recognition increases the volatility of profit or loss disclosures. The reserve for available-for-sale financial assets, which is currently recognized in accumulated other income, will be reclassified to the opening balance of revenue reserves.

Loans and trade receivables are held to collect contractual cash flows, which are solely principal and interest payments on the principal amount outstanding. As such, the Group expects that these will continue to be recognized at amortized cost under IFRS 9.

(b) Impairment

Under IFRS 9, the Group’s expected credit losses (ECLs) from all of its debt instruments, loans and trade receivables must be measured at an amount equal to either the 12-month expected credit losses or the full lifetime expected credit losses. The Group intends to use the simplified approach and to recognize the full lifetime expected credit losses that result from all trade receivables. The methodology used for the simplified approach under IFRS 9 is the same as the existing method for determining impairment. As such, this provision will not have any significant impact on the Group.

(c) Hedge accounting

The Group does not expect this option to have any extensive impact as it does not engage in any significant transactions with derivative or non-derivative financial instruments for hedging purposes.

IFRS 16

On January 13, 2016, the IASB published the final IFRS 16 standard “Leases”. IFRS 16 outlines the principles for recognizing, presenting and disclosing leases. The resulting changes mainly affect the lessee, requiring that all leases and associated contractual rights and responsibilities generally be reported in the lessee's balance sheet. IFRS 16 must be applied for fiscal years beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 is already applied in the Group.

The Group intends to evaluate the potential impacts of IFRS 16 in fiscal 2018. It will not opt for early adoption of this standard.

Closing date

The closing date for all Group members included in the Consolidated Financial Statements is December 31 of the respective year. The accounting period valid for the current statements is January 1, 2017 through December 31, 2017.

Consolidation structure → see page 90

In addition to the parent company, Wacker Neuson SE, the Consolidated Financial Statements as at December 31, 2017 include the following affiliates controlled by the Group. The Group is deemed to control a company if it carries the risks associated with or the rights to fluctuating returns on its shareholding in the company, and if it can also use its power of control over the company to influence these returns. Control is exercised through the following shareholdings:

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a % direct	indirect	Equity in € K	Segment
	Germany							
1	Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen	PXX	Germany	100		47,021	Europe
2	Wacker Neuson PGM Verwaltungs GmbH	Munich	Other	Germany		100	33	Europe
3	Wacker Neuson Vertrieb Germany GmbH & Co. KG	Munich	SXX	Germany	100		67,771	Europe
4	Wacker Neuson SGM Verwaltungs GmbH	Munich	Other	Germany		100	32	Europe
5	Wacker Neuson Vertrieb Europe GmbH & Co. KG	Munich	Logistics	Germany	100		29,720	Europe
6	Wacker Neuson SEM Verwaltungs GmbH	Munich	Other	Germany		100	33	Europe
7	Wacker Neuson ImmoWest 1 GmbH	Munich	Other	Germany	100		243	Europe
8	Wacker Neuson ImmoWest 2 GmbH	Munich	Other	Germany	100		24	Europe
9	Wacker Neuson ImmoWest 3 GmbH	Munich	Other	Germany	100		24	Europe
10	Wacker Neuson ImmoWest 4 GmbH	Munich	Other	Germany	100		24	Europe
11	Weidemann GmbH	Diemelsee-Flechtdorf	PXX	Germany	100		44,097	Europe
12	Kramer-Werke GmbH	Pfullendorf	PXX	Germany	5	90	60,960	Europe
13	Wacker Neuson Grundbesitz Gutmadingen GmbH & Co. KG (vormals: PADEM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gutmadingen KG)	Düsseldorf	Other	Germany		95	11	Europe
14	Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf	Other	Germany		95	7,120	Europe
15	Wacker Neuson Grundbesitz Verwaltungs GmbH	Pfullendorf	Other	Germany		95	26	Europe
16	Wacker Neuson Immobilien GmbH	Überlingen	Other	Germany		95	3,160	Europe
	Rest of Europe							
17	Wacker Neuson ApS	Karlslunde	SXX	Denmark	100		1,223	Europe
18	Wacker Neuson S.A.S.	Brie-Comte-Robert (near Paris)	SXX	France	100		5,070	Europe
19	Wacker Neuson Ltd.	Stafford (near Birmingham)	SXX	UK	100		9,249	Europe
20	Wacker Neuson srl con socio unico	San Giorgio	SXX	Italy	100		1,955	Europe
21	Wacker Neuson B.V.	Amersfoort	SXX	Netherlands	100		2,730	Europe
22	Wacker Neuson AS	Hagan (near Oslo)	SXX	Norway	100		2,690	Europe
23	Wacker Neuson Beteiligungs GmbH	Hörsching (near Linz)	Holding	Austria	100		287,930	Europe
24	Wacker Neuson Linz GmbH	Hörsching (near Linz)	PXX	Austria		100	143,556	Europe
25	Wacker Neuson Kragujevac d.o.o.	Kragujevac	PXX	Serbia		100	2,246	Europe
26	Wacker Neuson Lapovo d.o.o.	Lapovo	Other	Serbia		100	1,464	Europe
27	Wacker Neuson GmbH	Vienna	SXX	Austria	100		14,067	Europe
28	Wacker Neuson Sp. z.o.o.	Jawczyce (near Warsaw)	SXX	Poland	100		7,137	Europe
29	Wacker Neuson GmbH	Moscow	SXX	Russia	100		3,363	Europe
30	Wacker Neuson AB	Södra Sandby (near Malmö)	SXX	Sweden	100		4,989	Europe
31	Drillfix AG	Volketswil (near Zurich)	Other	Switzerland	100		239	Europe
32	Wacker Neuson AG	Volketswil (near Zurich)	SXX	Switzerland	100		23,615	Europe
33	Wacker Neuson, S.A.	Torrejón de Ardoz (near Madrid)	SXX	Spain	100		2,663	Europe
34	Wacker Neuson (Pty) Ltd.	Florida (near Johannesburg)	SXX	South Africa	100		5,151	Europe
35	Wacker Neuson s.r.o.	Prague	SXX	Czech Republic	100		5,478	Europe
36	Wacker Neuson Makina Limited Şirketi	Küçükbakkalköy (near Istanbul)	SXX	Turkey	100		2,673	Europe

37	Wacker Neuson Kft.	Törökbálint (near Budapest)	SXX	Hungary	100		544	Europe
	Americas							
38	Wacker Neuson Máquinas Ltda.	Jundiaí (near São Paulo)	SXX	Brazil	100		586	Americas
39	Wacker Neuson Ltda.	Huechuraba (near Santiago)	SXX	Chile	100		7,405	Americas
40	Wacker Neuson Ltd.	Mississauga (near Toronto)	SXX	Canada	100		4,966	Americas
41	Wacker Neuson S.A. de C.V.	Mexico City	SXX	Mexico	100		2,033	Americas
42	Wacker Neuson Corporation	Menomonee Falls[2]	Holding	USA	100		124,020	Americas
43	Wacker Neuson Logistics Americas LLC	Menomonee Falls[2]	Logistics	USA		100	41,551	Americas
44	Wacker Neuson Production Americas LLC	Menomonee Falls[2]	PXX	USA		100	61,334	Americas
45	Wacker Neuson Sales Americas LLC	Menomonee Falls[2]	SXX	USA		100	15,117	Americas
46	Wacker Neuson Bogotá S.A.S.	Bogotá	SXX	Columbia	100		460	Americas
47	Wacker Neuson Lima S.A.C.	Lima	SXX	Peru	99	1	1,428	Americas
	Asia-Pacific							
48	Wacker Neuson Pty Ltd.	Springvale (near Melbourne)	SXX	Australia	100		7,396	Asia-Pacific
49	Wacker Neuson Limited	Hong Kong	SXX	Hong Kong	100		1,527	Asia-Pacific
50	Wacker Neuson Machinery Trading (Shenzhen) Ltd. Co.	Shenzhen	SXX	China		100	–[3]	Asia-Pacific
51	Wacker Neuson Shanghai Ltd.	Shanghai	SXX	China	100		-2,235	Asia-Pacific
52	Wacker Neuson Machinery (China) Co., Ltd.	Pinghu	PXX	China	100		5,391	Asia-Pacific
53	Wacker Neuson (Singapore) PTE. LTD	Singapore	SXX	Singapore	100		1,167	Asia-Pacific
54	Wacker Neuson Equipment Private Ltd.	Bangalore	SXX	India	100		1,198	Asia-Pacific
55	Wacker Neuson Manila, Inc.	Dasmariñas (near Manila)	PXX	Philippines	100		7,667	Asia-Pacific
56	Wacker Neuson Holding Limited	Samutprakarn (near Bangkok)	Holding	Thailand	100		36	Asia-Pacific
57	Wacker Neuson Limited	Samutprakarn (near Bangkok)	SXX	Thailand		100	467	Asia-Pacific

[1] SXX = Sales location / PXX = Production location / Other = Generally refers to real estate companies or general partners (Komplementär) in KG companies.
[2] Near Milwaukee.
[3] Company equity is included in the equity of the parent company (no. 49).

Wacker Neuson Belgium BVBA, Belgium, was founded on December 6, 2017 as a wholly owned affiliate of Wacker Neuson B.V., Netherlands. The company was not yet fully operational in fiscal 2017. The company was not included in the consolidation structure due to its limited significance.

Wacker Neuson Rhymney Ltd. in Tredegar, UK, discontinued business and was deconsolidated on December 31, 2016.

In November 2017, Wacker Neuson SE, Munich, Germany, acquired a 100-percent share in KLC SERVIS s.r.o. in Lučenec, Slovakia, for the purchase price of EUR 1.2 million. The acquired company was not included in the consolidation structure due to its minor impact on the Group's assets, financials and earnings.

No disposals were made in fiscal 2017.

The Group does not hold any investments in associated companies or joint ventures that are recognized at equity on the balance sheet.

Consolidation principles

The Consolidated Financial Statements are based on the annual financial statements of the domestic and foreign companies included in the Group, which were prepared in accordance with IFRS to the year ending December 31, 2017. The annual financial statements of these companies were prepared according to the uniform accounting and valuation methods applied by the Group.

Companies are consolidated using the acquisition method. For first-time consolidation of Group members, all assets, liabilities and contingent liabilities of the acquired companies are identified and recognized at their fair values.

During initial consolidation of acquired companies that constitute a business, positive balances remain after reevaluation of all hidden assets and liabilities. These are capitalized as goodwill resulting from equity consolidation and are subject to an annual impairment test. To carry out the impairment test, this goodwill is allocated to the cash-generating units of the Group likely to benefit from the merger.

Receivables and payables as well as purchases and sales between consolidated Group members have been eliminated. Group inventories and fixed assets are adjusted to reflect intra-Group profits and losses.

Consolidation transactions affecting income and consolidation transactions that do not affect income are subject to deferred tax.

Exchange differences

Transactions carried out in foreign currencies are recognized at the exchange rate applicable at the time of the transaction. Nominal assets and liabilities in foreign currencies are converted at the exchange rate effective at the balance sheet date. The resulting translation differences are recognized in the income statement.

The annual financial statements of consolidated Group members that are prepared in foreign currencies are translated into euros according to the concept of the functional currency. The functional currency is taken to refer to the relevant national currency, with the exception of the Philippines (US dollar) and Hungary (euro). Thus, assets and liabilities are translated at the spot rates of exchange effective at the balance sheet date, whereas income and expenses are translated at the average annual rates of exchange, provided that the exchange rates did not fluctuate strongly during the period under review.

Translation differences resulting from the conversion of foreign affiliate figures into the Group's currency, which arise from the application of different exchange rates for the balance sheets and income statements, are recognized in other income and recorded as a separate item of equity with no impact on the financial result.

After analyzing its operational business and looking at other annual reports published by industry peers, the Group decided to recognize translation differences resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents in the financial result as of fiscal 2017. This was done to improve transparency and aid understanding. Values from 2016 have been adjusted accordingly.

The exchange rates of the main currencies relevant to the Group are as follows:

1 euro equals		2017	2016	2017	2016
		Annual average rates		Rates at balance sheet date[1]	
Australia	AUD	1.4733	1.4882	1.5346	1.4596
Brazil	BRL	3.6064	3.8573	3.9729	3.4305
Chile	CLP	732.7855	748.3807	738.4300	706.3400
China	CNY	7.6287	7.3503	7.8044	7.3202
Denmark	DKK	7.4387	7.4453	7.4449	7.4344
United Kingdom	GBP	0.8765	0.8191	0.8872	0.8562
Hong Kong	HKD	8.8049	8.5899	9.3720	8.1751
India	INR	73.5188	74.3498	76.6055	71.5935
Japan	JPY	126.7047	120.2668	135.0100	123.4000
Canada	CAD	1.4649	1.4659	1.5039	1.4188
Colombia	COP	3336.5934	3377.5760	3577.6000	3170.0000
Mexico	MXN	21.3319	20.6788	23.6612	21.7719
Norway	NOK	9.3305	9.2918	9.8403	9.0863
Peru	PEN	3.6836	3.7352	3.8827	3.5465
Philippines	USD	1.1297	1.1066	1.1993	1.0541
Poland	PLN	4.2564	4.3628	4.1770	4.4103
Russia	RUB	65.9227	74.1453	69.3920	64.3000
Sweden	SEK	9.6371	9.4679	9.8438	9.5525
Switzerland	CHF	1.1119	1.0901	1.1702	1.0739
Serbia	RSD	121.4168	122.3649	118.2770	123.4250
Singapore	SGD	1.5586	1.5275	1.6024	1.5234
South Africa	ZAR	15.0432	16.2656	14.8054	14.4570
Thailand	THB	38.2902	39.0392	39.1210	37.7260
Czech Republic	CZK	26.3253	27.0345	25.5350	27.0210
Turkey	TRY	4.1218	3.3433	4.5464	3.7072
USA	USD	1.1297	1.1066	1.1993	1.0541

[1] Rates at the balance sheet date: rates on the last working day of the year.

Accounting and valuation methods

Realization of revenue, income and expenses

In the case of contracts for the sale of goods, earnings are realized when the goods are delivered (passing of risk), whereas revenue arising from the provision of services is realized on completion of the work. In the case of short- and long-term service contracts, such as hire-purchase, revenue is recorded on a pro-rata, straight-line basis over the duration of the service agreement. Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin. Interest income is accrued based on the outstanding principal of the loan and the applicable interest rates.

Determining fair value

The Group identifies certain financial instruments (derivatives and securities) and recognizes them at fair value at every closing date in line with applicable guidelines. The fair value of financial instruments is also reported. Refer to item 27 'Additional information on financial instruments' in these Notes for additional information on fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the business transaction takes place

- on the principle market for the asset or liability or,
- in the absence of a principle market, on the most advantageous market for the asset or liability.

The Group must have access to the principle market or the most advantageous market.

The fair value of an asset or liability is measured on the basis of assumptions that market participants would apply to agree on a price that is in their best economic interests.

The Group uses valuation techniques appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities to be measured or disclosed in the financial statements at fair value are categorized into the following fair value hierarchies based on the lowest-level input that is significant overall to the measurements at fair value.

- Level 1: Prices quoted in active markets (not adjusted)
- Level 2: Evaluation techniques where the lowest-level input significant to the fair value measurement is observable either directly or indirectly on the market
- Level 3: Evaluation techniques where the lowest-level input significant to the fair value measurement is not observable on the market

The categorizations are checked at the end of each reporting period.

Property, plant and equipment
Property, plant and equipment is recognized in accordance with IAS 16. Property, plant and equipment is valued at acquisition or manufacturing cost less accumulated linear depreciation and accumulated impairment losses. Property, plant and equipment is derecognized on disposal.

Financing costs are capitalized provided there is a qualified underlying asset.

Investment properties
Land and buildings held for the purpose of generating rental revenue are measured at amortized cost using the acquisition cost method. Straight-line depreciation is calculated using the pro rata temporis method.

Intangible assets
Intangible assets with a limited useful life are carried at acquisition or manufacturing cost less accumulated amortization and accumulated impairment losses and amortized on a straight-line basis depending on their projected useful life.

Intangible assets with an unlimited useful life are not subject to scheduled amortization but are tested for impairment at least once a year.

Financing costs are capitalized provided there is a qualified underlying asset.

Leases

When the Group is the lessor
Leasing transactions regarding tangible assets in which the Group as the lessor transfers all material risks and rewards from the use of the leased object to the lessee are treated as finance leases according to IAS 17. In such cases, the lessee recognizes the leased object as an asset in the balance sheet and it is therefore not entered in the Group balance sheet. Leasing transactions regarding tangible assets and investment properties in which the Group as the lessor does not transfer all material risks and rewards are treated as operating leases according to IAS 17.

When the Group is the lessee
Leasing transactions regarding tangible assets in which the Group as the lessee bears all material risks and rewards from the use of the leased object are treated as finance leases according to IAS 17. In such cases, the lessee recognizes the leased object as an asset in the balance sheet and the payment obligation of future lease installments is disclosed as a liability item. Treatment as a finance lease leads to a depreciation expense determined by the useful life of the leased object and to a finance expense in the income statement.

All other leasing contracts are classified as operating leases. In such cases, the leasing installments or the rental payments are distributed on a straight-line basis over the duration of the leasing contract and shown directly as an expense in the income statement.

Rental
Rental is recognized in accordance with IAS 17. Rental equipment is carried at acquisition or manufacturing cost less accumulated straight-line depreciation and accumulated impairment losses. Rental equipment is derecognized on disposal. After re-evaluating its rentals business model, in particular with regard to operational handling, the Group decided to recognize rental as a separate item under current assets. This was done to improve transparency and aid understanding. Prior-year figures have been adjusted accordingly.

Inventories
Inventories of work in process and finished products, as well as raw materials and supplies, are valued at acquisition or manufacturing cost in accordance with IAS 2. To the extent that acquisition and manufacturing costs of inventories are above fair value, they are written down to the lower net realizable value at the balance sheet date. The net realizable value corresponds to the estimated realizable sales price under normal business conditions, less the estimated manufacturing and sales costs. If the net realizable value of formerly written-down inventories has increased, corresponding write-ups will be made.

In determining acquisition costs, incidental acquisition costs are added and rebates on purchase prices are deducted. Manufacturing costs include all expenses that are allocable either directly or indirectly to the manufacturing process.

Acquisition and manufacturing costs for inventories were, for the main part, determined on the basis of the FIFO method; in other words, on the assumption that those assets that were acquired first will be consumed first. The moving average cost method is also used to simplify valuation.

Financial instruments and hedging accounting

Non-derivative financial instruments
Non-derivative financial instruments as disclosed on the assets side of the balance sheet comprise marketable securities and receivables. Marketable securities are measured at fair value and recognized under 'Available-for-sale financial instruments'. Receivables are allocated to the 'Loans and receivables' category. Non-current receivables are discounted at standard interest rates and recognized at amortized cost. Due to their short-term nature, trade receivables and other receivables are recognized at their nominal values less allowance for doubtful accounts based on the probable default risk. Assets are recognized in the balance sheet for the first time when a Group member becomes party to a contract. Financial assets are recognized as of the day of performance. Assets are derecognized upon transfer of ownership or expiration of contractual rights to cash flows.

The carrying amounts of assets valued at amortized cost are verified if there is any indication that the book value exceeds the fair value (impairment test). Should the book value exceed the fair value, the asset is written down.

Credit balances with financial institutions are carried at their nominal values. The Group's non-derivative financial liabilities comprise trade payables, borrowings from banks and other financial liabilities. All non-derivative financial liabilities are initially recognized at fair value less the directly attributable transaction costs. In subsequent years, they are measured at amortized cost using the effective interest method.

An outstanding receivable vis-à-vis a foreign business, the discontinuation of which is neither planned nor likely in the foreseeable future, corresponds largely to part of the net investment in this foreign business. Translation differences from this outstanding receivable that corresponds to part of a net investment in a foreign business are initially recognized under other income and, in the event that the net investment is sold, will be reclassified from equity to the income statement.

Derivative financial instruments
The Wacker Neuson Group utilized standard financial instruments such as foreign exchange forward contracts, FX forwards and interest rate caps exclusively to minimize risks. These kinds of financial transactions are concluded centrally and always have a corresponding underlying transaction.

Derivative financial instruments are recognized at fair value when the contract is entered into and also when measured subsequent to initial recognition at the closing date.

Unless they are formally recognized under hedge accounting in line with IAS 39, derivative financial instruments are allocated to the assets or liabilities held for trading and designated at fair value through profit or loss when first recognized and also in subsequent fiscal years.

Within the framework of the Group's risk management strategy and initiatives, FX forwards are formally classified as hedges according to IAS 39 (hedge accounting) on inception of the hedge transaction with the corresponding underlying transaction. The Group further verifies at the inception of a hedge and also thereafter on a continual basis whether or not the derivatives assigned to a hedge effectively compensate for the changes in cash flow of the underlying transactions.

The FX forwards utilized by the Group within the framework of its risk management strategy are recognized as cash flow hedges, whereby the effective portion from changes in fair value are reported as equity. The hedge-ineffective portion is directly recognized in the income statement. The amounts accrued in equity are reported in the consolidated income statement in the same periods, as soon as the underlying transaction affects the consolidated income statement in parallel.

Research and development
Research expenses are recognized in the consolidated income statement in the period in which they are incurred.

Development costs are capitalized, providing the criteria as set forth in IAS 38.57 ff. are fulfilled.

Trade receivables and other assets
Other non-financial assets are principally recognized at their nominal values. Allowances are recognized in the full amount for other assets for which there is a high probability of default.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, checks and demand deposits. They belong to the category 'Loans and receivables' and have maturities of three months or less. Cash and cash equivalents are converted to the nominal value in euro. In the case of liquid funds, this corresponds to the fair value.

Government subsidies
Government subsidies are only recognized if there is reasonable assurance that the relevant criteria are fulfilled and the funding will be approved. Subsidies are recognized by reducing the book value of the asset. The subsidy is then recognized as income through a reduced write-down value over the duration of the depreciable asset's useful life.

Pensions and similar obligations
Provisions for pensions and similar obligations from defined benefit plans are recognized following the Projected Unit Credit Method, taking into consideration future adjustments to remuneration payments and pensions in compliance with the regulations as set forth in IAS 19. Reevaluations, primarily including actuarial gains and losses, are directly recognized in the balance sheet and allocated to equity via other income in the period in which they occur. Reevaluations may not be reclassified to the income statement in subsequent periods.

Unvested past service costs are recognized in profit or loss at the earlier of the following points in time:

- The time at which the adjustment or curtailment of the plan takes effect
- The time at which the Group recognizes any costs related to the restructuring

Net interest is determined by applying the discount rate to the balance of the defined benefit plan. The Group recognizes the following amendments to defined benefit obligations in the income statement depending on the functional scope:

- Service costs, including current service costs, unvested past service costs

- Profits and losses from plan curtailments and extraordinary plan payments
- Net tax expense or income

Pension obligations in Germany are calculated using the demographic tables for 2005 G developed by Prof. Klaus Heubeck. Pension obligations abroad are calculated using accounting principles and parameters specific to the corresponding country.

Service costs for vested rights to future pension payments result from the changes in the present value of the obligation. The interest portion of the increase in pension provisions is disclosed under the financial result. Payments under defined contribution benefit plans are recognized directly as an expense.

Other provisions
Other provisions are recognized in accordance with IAS 37 when the Group has a present legal or constructive obligation as a result of a past event, which will probably result in an outflow of resources with economic benefits, the amount of which can be reliably estimated. Other provisions include allowances for all identifiable obligations. Valuation is based on estimations of the expected settlement amount on due consideration of all business circumstances. Provisions that are only due after one year and for which the payment amounts and due dates can be reliably estimated are measured at discounted present value. Provisions for warranties are calculated on the basis of historical values, warranty lifetimes and product volumes.

Other provisions are made for all identifiable risks as well as for all contingent liabilities in the amount that is expected to be incurred.

Deferred tax expense
Deferred and current tax is calculated in line with IAS 12.

Deferred tax assets and liabilities are recognized for temporary differences between carrying amounts and corresponding tax bases, for consolidation transactions recognized in the income statement and for tax loss carry-forwards.

Deferred tax assets on tax loss carry-forwards are only recognized if the associated reductions in tax are likely to become effective in the next five years (maximum) and can be applied in subsequent periods. Deferred tax was recognized for loss carry-forwards in the year under review.

Deferred tax is calculated at the tax rate applicable to the company in question that is valid or approved at the balance sheet date and which will then be valid when the reversal effects will probably be applied.

Changes to deferred tax in the balance sheet generally result in deferred tax expense or income. If any movements that necessitate a change in deferred tax are charged directly to equity, the resulting change to deferred tax is also recognized directly in equity.

Material discretionary decisions, estimates and assumptions

In preparing the Consolidated Financial Statements, it has been necessary to make estimates and assumptions which may influence the carrying amounts of assets and liabilities, income and expenses as well as contingent liabilities as recognized on the balance sheet. The following significant estimates and assumptions, together with the uncertainties associated with the accounting and valuation methods applied, are crucial in understanding the risks underlying financial reporting and the impact these estimates, assumptions and uncertainties could have on the Consolidated Financial Statements:

The value of goodwill and assets with an unlimited useful life (at least one impairment test per year)
The Group carries out an impairment test on goodwill, intangible assets of unlimited useful life and capitalized development costs once a year or more often if there is indication that an asset has been impaired. This involves making estimates regarding the forecast and discounting of future cash flows. In fiscal 2017, no indications of impairment were identified. For more information on the calculation of impairment, the assumptions indicating impairment and the sensitivity of these assumptions, please refer to item 10 ‘Intangible assets’ in these Notes.

Indications for impairment of tangible and intangible assets and development costs (specific to events or circumstances)
At each closing date, the Group determines whether there are any grounds to assume that the book value of a tangible asset or an item under other intangible assets has been impaired. In fiscal 2017, the Group identified grounds for a significant impairment of intangible assets. Refer to item 10 ‘Intangible assets’ in these Notes for more detailed information.

Taxes on income and earnings
At each closing date, the Group determines whether the probability of future tax benefits is sufficient to justify deferred tax assets. The recognized deferred tax assets may be lower if the estimates regarding scheduled taxable income and the tax benefits realizable through available tax strategies are lowered, or should changes to current tax legislation restrict the timeframe or feasibility of future tax benefits. Refer to item 6 ‘Taxes on income’ in these Notes for more detailed information.

Tax items are calculated in line with local tax laws as applicable and the relevant administrative practices. Due to their complexity, they may be subject to differences in interpretation by tax-paying entities on the one hand, and by local fiscal authorities on the other. Different interpretations of tax laws may lead to retrospective tax payments for previous years; these are taken into consideration based on estimates made by the Group.

Employee benefits
Pensions and similar obligations are calculated in accordance with actuarial valuations. These valuations are based on a number of factors including statistical values in order to anticipate future events. These factors include actuarial assumptions such as the discount rate, expected salary increases and mortality rates. These actuarial assumptions can deviate considerably from the actual obligations as a result

of changed market and economic conditions, resulting in a change in the associated future commitment.

For more detailed information on this and the sensitivity of observations, please refer to item 19 'Provisions for pensions and similar obligations' in these Notes.

Legal risks

Legal risks result from legal action against Wacker Neuson SE or individual Group members. The outcome of these disputes could have a substantial impact on Group assets, financials and earnings. Company management regularly analyses the current information available about these cases and builds provisions to cover probable obligations. Assessments are performed by internal and external experts and lawyers. When reaching a decision on the need to recognize provisions, company management takes sufficient account of the probability of an unfavorable outcome and takes due care to estimate the amount of the obligation sufficiently reliably. For more information, please refer to item 26, 'Other financial liabilities', in these Notes.

Explanatory comments on the income statement

1 – Revenue

With respect to the presentation and composition of revenue by geographic regions and by business segments, please refer to the section on segment reporting.

2 – Other income

IN € MILLION

	2017	2016
Proceeds from sale of property, plant and equipment	2.3	2.2
Rental income on investment properties	3.1	2.3
Carry-forwards	0.5	0.9
Recovery of receivables written off	–	0.2
Insurance reimbursements	0.3	0.4
Income from the sale of scrap	0.9	0.6
Offsetting of non-cash benefits	1.4	1.4
Other income	2.4	2.8
Total	**10.9**	**10.8**

In the reference year 2016, currency gains from foreign currency loans in the amount of EUR 16.7 million (2017: EUR 20.2 million), as well as gains on foreign-exchange forward contracts in the amount of EUR 0.0 million (2017: EUR 5.1 million) were reported under other income. As of January 1, 2017, these currency gains and exchange losses from foreign currency loans are netted in the financial result. This reclassification is intended to clearly separate income and expenditure from operating activities from income and expenditure from financing activities. For the same reasons, gains on foreign-exchange forward contracts are included under financial income.

The EUR 0.8 million increase in rental income on investment properties stems from the subletting of office space at the Group's headquarters in Munich. Offsetting of non-cash benefits includes income from company cars. The carry-forwards item refers to income from costs invoiced to dealers and suppliers.

3 – Personnel expenses

Personnel expenses comprise the following:

IN € MILLION

	2017	2016
Wages and salaries	264.5	242.1
Social security contributions	58.5	55.0
Expenses for pensions	7.8	7.1
Total	**330.8**	**304.2**

The expenses for pensions include the expense for pension benefits without the interest portion of the additions to provisions for pensions, which is recognized in the financial result. Wages and salaries include expenses for redundancy payments to the following extent:

IN € MILLION

	2017	2016
Redundancy payments	3.9	2.7

EUR 0.6 million (previous year: EUR 0.5 million) of which was accrued to provisions for redundancy payments required by law for the sites in Austria.

The increase relative to the previous year is primarily due to one-off effects in the form of redundancy payments for the Executive Board in the amount of EUR 1.6 million (previous year: EUR 0.0 million). Expenses for restructuring-related redundancy payments resulting from site relocations decreased to EUR 0.1 million (previous year: EUR 0.7 million). The drop is attributable to proceeds from the reversal of provisions for restructuring-related redundancy payments at the Reichertshofen site that were not required. These provisions were built in the previous year for the consolidation of development and production activities at the Reichertshofen site. Other expenses for redundancy payments related to normal business operations in the amount of EUR 1.6 million (previous year: EUR 1.5 million) are also included here.

The average number of employees broken down according to fields of activity is as follows for the period under review (not including staff employed under leasing contracts):

	2017	2016
Production	2,077	1,903
Sales and service	1,948	1,901
Research and development	411	383
Administration	525	531
Total	**4,961**	**4,718**

4 – Other operating expenses

IN € MILLION	2017	2016
Losses on the disposal of property, plant and equipment	1.3	1.9
Impairment loss on land	1.3	–
Real estate transfer tax	1.2	–
Other expenses	0.7	0.7
Total	**4.5**	**2.6**

In the reference year 2016, exchange losses from foreign currency loans in the amount of EUR 15.7 million (2017: EUR 23.9 million), as well as losses on foreign-exchange forward contracts in the amount of EUR 0.4 million (2017: EUR 0.7 million) were reported under other expenses. As of January 1, 2017, these exchange losses and currency gains from foreign currency loans are netted in the financial result. This reclassification is intended to clearly separate income and expenditure from operating activities from income and expenditure from financing activities. For the same reasons, losses on foreign-exchange forward contracts are included under financial expense.

As part of restructuring measures in Australia in fiscal 2017, the existing property there was earmarked for sale in March 2018. Based on reliable information from ongoing initial negotiations, the fair value of the share of real estate to be sold has been measured at around EUR 1.3 million less than its book value.

Sales promotion measures were initiated as part of the marketing strategy for a property at the Munich site that is no longer required for operational purposes. To improve the prospects of sale, ownership of the site was transferred to another company in the Wacker Neuson Group. This resulted in a one-off effect in the form of land transfer tax in the amount of EUR 1.2 million.

5 – Financial result

a) Financial income

IN € MILLION	2017	2016
Interest and similar income	2.6	1.4
Unrealized gains from foreign exchange contracts	5.1	0.1
Total	**7.7**	**1.5**

During the course of the fiscal year, the Group entered into external swap agreements for the first time to counter-finance foreign currency loans extended internally. This resulted in unrealized gains in the amount of EUR 5.1 million. This is offset by unrealized losses in the amount of EUR 4.6 million from internal foreign currency loans, which form the underlying transaction securing the swaps in line with the Group’s risk management strategy. These hedged exchange losses in the amount of EUR 4.6 million are reported under financial expense.

b) Financial expense

IN € MILLION	2017	2016
Interest and similar expense	7.3	8.2
Foreign exchange losses	5.7	0.3
Unrealized losses from foreign exchange contracts	0.7	0.4
Total	**13.7**	**8.9**

Interest and similar income was netted against interest and similar expense in the amount of EUR 1.1 million (previous year: EUR 1.2 million). For further information, refer to item 16, “Cash and cash equivalents”, in these Notes. Exchange losses include EUR 4.6 million of unrealized losses from internal foreign currency loans; refer to section a) “Financial income” for more information. In contrast to the previous year, currency gains and exchange losses from foreign currency loans were reclassified as a financial expense. This was done to clearly differentiate between the Group’s income and expenditure from operating activities from income and expenditure from financing activities (refer to item 2, “Other income”, and item 4, “Other expenses”, in the Notes to the Consolidated Financial Statements).

Currency effects resulting from trade receivables and payables in foreign currencies were also reclassified to improve transparency (2017: exchange losses of EUR 2.0 million; previous year: exchange losses of EUR 0.9 million); these currency effects were previously reported under cost of sales. Figures for previous years were voluntarily adjusted in line with IAS 8.29 (b).

6 – Taxes on income

Expense for taxes on income comprises the following:

IN € MILLION

	2017	2016
Current tax expense	38.7	25.8
Deferred tax expense	-0.8	-1.6
Total	**37.9**	**24.2**

Actual taxes included adjustments in the amount of EUR 0.8 million (previous year: EUR 0.5 million), which represent income for previous fiscal years.

Reconciliation of calculated tax to actual tax expense:

IN € MILLION

	2017	2016
EBT	125.4	81.4
Tax at the applicable rate: 28,98%	36.3	23.9
(previous year: 29.37%)		
Variance in Group tax rates	-13.3	-9.2
Taxes from or for prior periods	-0.8	0.5
Tax effects of non-deductible expenses and tax-exempt income	13.8	6.9
Tax rate changes	0.9	0.6
Other	1.0	1.5
Total	**37.9**	**24.2**

Taxes on income are calculated by applying the Group’s uniform tax rate of 28.98 percent (previous year: 29.37 percent) to profit before tax. The decrease in the tax rate was due to changes in the average trade tax in Germany.

The item "Tax effects of non-deductible expenses and tax-exempt income" includes the tax on dividend amounts paid, which increased this year due to the significantly higher dividend pay-outs within the Group compared with the previous year. The expenses increased overall as a result.

Deferred tax assets and liabilities are allocated to the following balance sheet items:

IN € MILLION

	2017 Deferred tax assets	2017 Deferred tax liabilities	2016 Deferred tax assets	2016 Deferred tax liabilities
Recognition and valuation differences: intangible assets	–	30.6	–	31.2
Valuation differences: tangible assets and rental equipment	13.0	14.0	13.3	16.1
Valuation differences: inventories	13.1	1.1	22.5	0.5
Valuation differences: receivables	0.6	–	1.0	–
Valuation differences: assets held for sale	8.6	–	–	–
Valuation differences: provisions for pensions	7.1	-1.7	7.8	-2.1
Valuation differences: liabilities	2.8	–	3.4	–
Loss carry-forwards	5.5	–	5.1	–
Other	4.8	2.6	2.9	1.9
Total	**55.5**	**46.6**	**56.0**	**47.6**
Net	**-15.0**	**-15.0**	**-16.9**	**-16.9**
Balance sheet item	**40.5**	**31.6**	**39.1**	**30.7**

Deferred tax recognized in the consolidated balance sheet aligns with the deferred tax recognized in the balance sheets of individual Group companies. Deferred tax assets and liabilities were netted at the level of the individual company as appropriate.

Deferred tax liabilities for intangible assets mainly result from the recognition of brand value in conjunction with the acquisition of Weidemann and Neuson Kramer.

Rental equipment and inventories include deferred taxes resulting from the evaluation of rental equipment and inventories at Group cost of goods manufactured.

Assets available for sale include deferred tax assets resulting from Group-internal sales of the west site aimed at increasing the prospects of disposing of this asset as part of the marketing strategy.

Unused tax losses for which no deferred tax receivable was recognized in the balance sheet amount to EUR 21.6 million (previous year: EUR 16.7 million).

With respect to deferred tax assets, EUR 5.5 million (previous year: EUR 5.6 million) are allocable to individual companies which incurred losses in the current or prior reporting period. The reason for the capitalization lies in the improved earnings situation evident in subsequent years. The deferred tax expense as a result of a drop in deferred tax receivables amounts to EUR 2.8 million (previous year: EUR 0.9 million).

Deferred taxes from pension obligations in the amount of EUR 7.1 million (previous year: EUR 7.5 million) were recognized directly in equity. All other deferred tax was recognized in the income statement.

Deferred taxes on undistributed profits of affiliates were recognized only if distribution is planned. The amount available for distribution is EUR 183.3 million (previous year: EUR 190.3 million).

7 – Earnings per share

	2017	2016
Earnings of the current year attributable to shareholders in € million	87.5	56.8
Weighted average number of shares outstanding during current period	70.14	70.14
Undiluted earnings per share in €	**1.25**	**0.81**
Diluted earnings per share in €	**1.25**	**0.81**

According to IAS 33, earnings per share are calculated by dividing the total profit/loss for the year attributable to Wacker Neuson SE shareholders by the weighted average number of shares issued.

Explanatory comments on the balance sheet

8 – Property, plant and equipment

IN € MILLION

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/Assets under construction	Total
Acquisition costs					
Balance at January 1, 2017	342.5	149.1	95.2	7.7	594.5
Exchange rate differences	-7.1	-6.8	-2.3	–	-16.2
Change in consolidation structure	–	–	–	–	–
Additions	1.4	9.6	10.1	8.3	29.4
Disposals	-23.8	-20.2	-9.6	–	-53.6
Transfers	-1.7	0.9	0.2	-7.5	-8.1
Balance at December 31, 2017	**311.3**	**132.6**	**93.6**	**8.5**	**546.0**
Accumulated depreciation					
Balance at January 1, 2017	99.8	106.6	66.6	–	273.0
Exchange rate differences	-2.7	-5.4	-1.5	–	-9.6
Change in consolidation structure	–	–	–	–	–
Additions	7.9	9.1	8.4	–	25.4
Impairment	1.3	0.4	0.2	–	–
Disposals	-8.1	-18.8	-8.3	–	-35.2
Transfers	-1.5	–	–	–	-1.5
Balance at December 31, 2017	**96.7**	**91.9**	**65.4**	**–**	**254.0**
Book value at December 31, 2016	**242.7**	**42.5**	**28.6**	**7.7**	**321.5**
Book value at December 31, 2017	**214.6**	**40.7**	**28.2**	**8.5**	**292.0**
Useful life in years	16 – 50	1 – 10	1 – 15		

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/Assets under construction	Total
Acquisition costs					
Balance at January 1, 2016	336.7	144.4	91.9	7.0	580.0
Exchange rate differences	2.0	2.0	0.6	-0.1	4.5
Change in consolidation structure	–	–	-0.1	–	-0.1
Additions	8.9	5.7	9.8	8.0	32.4
Disposals	-1.9	-4.3	-7.2	–	-13.4
Transfers	-3.2	1.3	0.2	-7.2	-8.9
Balance at December 31, 2016	**342.5**	**149.1**	**95.2**	**7.7**	**594.5**
Accumulated depreciation					
Balance at January 1, 2016	94.0	98.8	64.6	–	257.4
Exchange rate differences	0.7	1.6	0.3	–	2.6
Change in consolidation structure	–	–	-0.1	–	-0.1
Additions	7.7	10.1	8.1	–	25.9
Disposals	-1.1	-3.9	-6.3	–	-11.3
Transfers	-1.5	–	–	–	-1.5
Balance at December 31, 2016	**99.8**	**106.6**	**66.6**	**–**	**273.0**
Book value at December 31, 2015	**242.7**	**45.6**	**27.3**	**7.0**	**322.6**
Book value at December 31, 2016	**242.7**	**42.5**	**28.6**	**7.7**	**321.5**
Useful life in years	16 – 50	1 – 10	1 – 15		

Land is considered to have an indefinite useful life. Amounts recognized for office and other equipment include the book values of finance lease contracts to a small extent. For further information on this, please refer to item 26 “Other financial liabilities” in these Notes.

Total write-downs and impairment losses on property, plant and equipment, investment properties, intangible assets, and rental equipment (see item 12 “Rental” in these Notes) reported in the Group income statement amounted to EUR 75.8 million (previous year: EUR 69.3 million). EUR 55.3 million of this is attributable to manufacturing costs (previous year: EUR 50.4 million), EUR 5.9 million to selling expenses (previous year: EUR 5.9 million), EUR 1.8 million to research and development costs (previous year: EUR 1.8 million), EUR 11.5 million to general administrative costs (previous year: EUR 11.2 million) and EUR 1.3 million to other operating expenses (previous year: EUR 0). Depreciation and amortization amounted to EUR 43.2 million (previous year: EUR 40.7 million) excluding rental equipment.

In the previous year, rental was included under machinery and equipment. However, since January 1, 2017, rental equipment has been reported under current assets before inventories in order to better reflect the cycle of operating activities. Please refer to item 12 "Rental" in these Notes for the individual figures.

The higher disposals of land and buildings compared with the previous year mainly resulted from the change in reporting of non-current assets held for sale in the US, in Australia and at the Munich site. For more information, see item 17 in these Notes. In the US, this also affected equipment.

Overall, the amounts reported as reclassifications relate to values moved to “Investment properties”. For more information, see item 9 in these Notes. In terms of assets under construction, buildings were completed and plants commissioned at the Reichertshofen site this year.

9 – Investment properties

The table below shows the development of investment properties held during the years 2016 and 2017:

IN € MILLION	2017	2016
Acquisition costs		
Balance at January 1	37.0	29.7
Exchange rate differences	-0.1	-0.3
Additions	–	–
Disposals	-2.3	-0.3
Transfers	8.1	7.9
Balance at December 31	**42.7**	**37.0**
Accumulated depreciation		
Balance at January 1	13.8	12.1
Exchange rate differences	–	-0.1
Additions	0.7	0.5
Disposals	-0.1	-0.2
Transfers	1.5	1.5
Balance at December 31	**15.9**	**13.8**
Book value at January 1	**23.2**	**17.6**
Book value at December 31	**26.8**	**23.2**

The reclassifications in 2017 relate to real estate in Munich. This was previously held as property, plant and equipment but is now partly rented to third parties. In 2017, other building sections were added to those completed in 2016.

PROPERTY

	Book value as per Dec. 31, 2017 in € million	Fair value as per Dec. 31, 2017 in € million	Calculation method	Depreciation method	Useful life
Germany	26.7	45.3			
Gotha	1.1	1.5	Purchase option	Linear	50 years
Munich	11.2	20.3	Discounted cash flow	Linear	50 years
Gutmadingen	0.4	3.5	Survey/German income approach	Linear	33 years
Überlingen	14.0	20.0	Survey/German income approach	Linear	25 – 50 years
Spain	0.1	0.1	Survey/German income approach	Linear	50 years
Total	**26.8**	**45.4**			

The earnings derived from investment properties are shown in the table below:

IN € MILLION

	2017	2016
Rental income	3.1	2.3
Depreciation and Impairment	-0.7	-0.5
Other expenses	-0.2	-0.2
Total	**2.2**	**1.6**

These figures are allocated to the European segment.

Investment properties include the land and buildings listed above, which have all been rented to third parties or are intended to be rented to third parties. The reported depreciation methods and useful lives only affect the buildings listed.

The evaluation methods applied are listed in the table above. The fair value (measurement of fair value at hierarchy level 2) of the property in Gotha, Germany, was determined on the basis of a purchase option agreed with the tenant.

The key, unobservable input parameters used to evaluate investment properties are as follows (measurement of fair value at hierarchy level 3):

The fair values of properties were determined in some cases by surveyors using the German income approach and discounted cash flow methods. These evaluations are based on standard land values, standard market rents, estimated running costs and estimated residual useful lives.

10 – Intangible assets

a) Goodwill

Goodwill developed as follows:

IN € MILLION

	2017	2016
Balance at January 1	238.6	238.3
Foreign currency fluctuations	-1.2	0.3
Balance at December 31	**237.4**	**238.6**

b) Other intangible assets

→ See table, page 104

The expected residual useful lives and residual book values of other intangible assets are as follows:

IN € MILLION

	Book value on Dec. 31, 2017	Book value on Dec. 31, 2016	Useful life
Brands	64.8	64.8	Indefinite
Customer base	0.2	0.3	2 – 8 years
Software development	8.2	8.0	1 – 8 years
Total	**73.2**	**73.1**	

Other intangible assets include EUR 22.0 million for the brand name “Weidemann” resulting from the acquisition of Weidemann GmbH in 2005. Due to the strong market position of Weidemann GmbH, the brand name and trademark are considered to have an indefinite useful life.

EUR 42.8 million was recognized for the brand name in connection with the merger with the Neuson Kramer Group. This is also considered to have an indefinite useful life due to the company’s strong market position. Wacker Neuson SE does not own the Neuson logo. This is owned by the PIN Private Trust (PIN Privatstiftung), which is part of the group founded by the Chairman of the Supervisory Board, Johann Neunteufel. Subject to certain guidelines, however, the company has an exclusive, irrevocable and unlimited free-of-charge license to use this brand in conjunction with the name “Wacker”.

Internally produced intangible assets refer to capitalized development costs. Software developments also refer to capitalized costs for software.

In fiscal 2017, an impairment test on internally produced intangible assets prompted by a change in market conditions and by restructuring measures indicated grounds for an impairment loss in the amount of EUR 1.6 million (previous year: EUR 1.4 million). The impairment loss was recognized in the income statement under cost of sales and was allocated to the Americas segment.

The intangible assets in progress relate primarily to development costs for projects not yet completed at the closing date. In the current financial year, development projects in progress in the amount of EUR 10.0 million were duly allocated to this category. These were previously included under internally produced intangible assets.

IN € MILLION

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2017	**29.6**	**83.5**	**68.1**	**1.0**	**182.2**
Exchange rate differences	-1.3	-0.2	-2.6	-0.3	-4.4
Additions	2.4	1.0	1.1	13.4	17.9
Disposals	-2.5	-5.7	-1.3	–	-9.5
Transfers	–	1.1	-10.0	8.9	–
Balance at December 31, 2017	**28.2**	**79.7**	**55.3**	**23.0**	**186.2**
Accumulated depreciation					
Balance at January 1, 2017	21.2	10.4	25.7	–	57.3
Exchange rate differences	-0.9	-0.4	-1.1	–	-2.4
Additions	3.2	1.9	8.3	–	13.4
Impairment	–	–	1.0	0.6	1.6
Disposals	-2.4	-5.6	-1.3	–	-9.3
Transfers	–	–	-0.1	0.1	–
Balance at December 31, 2017	**21.1**	**6.3**	**32.5**	**0.7**	**60.6**
Book value at December 31, 2016	**8.4**	**73.1**	**42.4**	**1.0**	**124.9**
Book value at December 31, 2017	**7.1**	**73.4**	**22.8**	**22.3**	**125.6**
Useful life in years	3 – 8	1 – 8	5 – 6		

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2016	33.0	80.3	60.1	2.5	175.9
Exchange rate differences	0.2	0.1	0.8	–	1.1
Additions	1.8	3.1	11.4	–	16.3
Disposals	-4.5	-1.0	-6.3	-0.2	-12.0
Transfers	-0.9	1.0	2.1	-1.3	0.9
Balance at December 31, 2016	**29.6**	**83.5**	**68.1**	**1.0**	**182.2**
Accumulated depreciation					
Balance at January 1, 2016	22.2	8.1	21.9	–	52.2
Exchange rate differences	0.3	0.2	0.3	–	0.8
Additions	3.4	1.9	7.6	–	12.9
Impairment	–	–	1.4	–	1.4
Disposals	-4.2	-0.3	-5.5	–	-10.0
Transfers	-0.5	0.5	–	–	–
Balance at December 31, 2016	**21.2**	**10.4**	**25.7**	**–**	**57.3**
Book value at December 31, 2015	**10.8**	**72.2**	**38.2**	**2.5**	**123.7**
Book value at December 31, 2016	**8.4**	**73.1**	**42.4**	**1.0**	**124.9**
Useful life in years	3 – 8	1 – 8	5 – 6		

c) Impairment of goodwill and intangible assets with an unlimited useful life

The goodwill and indefinite-lived Weidemann and Neuson brands obtained through mergers were allocated for impairment testing to the following cash-generating units within the Americas or European segments:

- Weidemann GmbH (Germany)
- Wacker Neuson Production Americas LLC (subgroup/USA)
- Wacker Neuson Beteiligungs GmbH (subgroup/Austria)

The pro-rata book values break down as follows:

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Wacker Neuson Production Americas LLC (subgroup/USA)		
Book value of goodwill	8.8	10.0
Weidemann GmbH		
Book value of goodwill	24.2	24.2
Book value of the indefinite-lived brand	22.0	22.0
Wacker Neuson Beteiligungs GmbH (subgroup/Austria)		
Book value of goodwill	204.4	204.4
Book value of the indefinite-lived brand	42.8	42.8
Book value of goodwill	**237.4**	**238.6**
Book value of the indefinite-lived brand	**64.8**	**64.8**

With the exception of the year when they were first recognized in the balance sheet, the carrying amounts of goodwill and indefinite-lived brands are verified during the annual impairment test or subjected to an additional impairment test if there are indications of asset impairment. For this purpose, the book value is compared with the “fair value less cost to sell”. The “fair value less cost to sell” is determined using the discounted cash flow method (measurement of fair value at hierarchy level 3). Future cash flows are discounted to the respective balance sheet date. Value is impaired if “fair value less cost to sell” is lower than the book value. No indications of value impairments have been identified in the current fiscal year.

The calculation of “fair value less cost to sell” is based on assumptions, which in turn are dependent on the following uncertain estimates:

- Free cash flow
- Discount rates
- Price increases for raw materials and supplies
- Underlying growth rates for cash flow predictions outside of the budget period

Free cash flow: Free cash flow is calculated based on a detailed planning phase from 2018 to 2024. Growth rates are determined for the first three budget years (up to 2020) based on market conditions. Adjustments were made based on distribution plans. When performing the goodwill impairment test, it is assumed that the entire distributable cash flow is paid out each fiscal year. Distributable cash flow refers to free cash flow after interest payments, tax effects from borrowings and changes in borrowings. Care is taken to ensure that the cash flow distribution does not reduce the share capital. For the period from 2021 to 2024, management anticipates results and growth rates that align with past values. Various scenarios with annual EBIT growth of between 5 and 10 percent from 2021 to 2024 were created for the three cash-generating units Weidemann GmbH, Wacker Neuson Production Americas LLC (subgroup/USA) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria). A negative scenario with EBIT growth of just 2 percent from 2021 onwards was also calculated for the three cash-generating units. In addition to EBIT growth, upper EBIT limits were also defined as restricting criteria for the cash-generating units. None of the scenarios resulted in impairment.

Discount rates: These reflect management's assessment of the risks associated with cash-generating units. In addition to a risk-free interest rate, a risk-weighted rate is also taken into account. The weighted average cost of capital (WACC) after tax at a uniform rate of 7.75 percent (previous year: 7.61 percent) is applied.

Price increases for raw materials and supplies: Actual past price fluctuations are used as indicators for estimating future price developments.

Growth rate estimates: Management and affiliates estimate growth rates based on local market dynamics. A growth rate of 2 percent has been projected for perpetual annuity (previous year: 2 percent).

Sensitivity of assumptions: These calculations did not reveal a need to recognize impairment for any of the cash-generating units even if no growth rate had been applied in perpetual annuity or if WACC had been set 1 percent higher.

11 – Other non-current assets

Other non-current assets are composed of the following items:

IN € MILLION	Dec. 31, 2017	Dec. 31, 2016
Non-current trade receivables	25.6	20.9
Investment securities	1.6	1.6
Misc. other non-current financial assets	2.7	2.0
Other non-current financial assets	**29.9**	**24.5**
Other non-current non-financial assets	**4.9**	**1.2**
Total	**34.8**	**25.7**

Non-current trade receivables largely resulted from sales promotion activities in the US and account for the increase relative to the previous year. Delivered products are subject to retention of title and personal sureties. Other non-current non-financial assets also rose due to measures to support dealers in the US.

12 – Rental

IN € MILLION	2017	2016
Acquisition costs		
Balance at January 1	162.8	152.0
Exchange rate differences	-3.9	0.2
Additions	71.7	58.4
Disposals	50.3	47.8
Transfers	–	–
Balance at December 31	**180.3**	**162.8**
Accumulated depreciation		
Balance at January 1	56.4	55.3
Exchange rate differences	-1.5	0.1
Additions	32.6	28.6
Disposals	26.7	27.6
Transfers	–	–
Balance at December 31	**60.8**	**56.4**
Book value at January 1	**106.4**	**96.7**
Book value at December 31	**119.5**	**106.4**
Useful life in years	2 – 3	2 – 3

13 – Inventories

IN € MILLION

	Gross value	Allowance	Net value Dec. 31, 2017
Raw materials and supplies	90.8	-3.7	87.1
Work in progress	23.7	–	23.7
Finished goods	329.9	-9.3	320.6
Total	**444.4**	**-13.0**	**431.4**

	Gross value	Allowance	Net value Dec. 31, 2016
Raw materials and supplies	89.7	-3.3	86.4
Work in progress	13.5	–	13.5
Finished goods	349.2	-6.0	343.2
Total	**452.4**	**-9.3**	**443.1**

The reduction in inventories is attributable to targeted working capital management and an increase in impairment losses. This increase in impairment losses results from a change in the service life structure of inventories.

An expense of EUR 1,024.7 million (previous year: EUR 924.9 million) was recorded under acquisition and manufacturing costs for inventories sold in the fiscal year.

Raw materials and supplies, work in process and finished products were valued at their acquisition or manufacturing cost or at the lowest net realizable value. The associated impairment losses increased by EUR 3.7 million compared with the previous year (previous year: EUR 1.7 million). Value adjustments for the current year include a negative one-off effect in the amount of EUR 2.0 million resulting from the sale of old inventory as well as impairment losses in the amount of EUR 0.6 million resulting from restructuring measures. In the previous year, a positive one-off effect in the amount of EUR 4.8 million was recognized as a result of a change to the method for evaluating inventories.

Similar to 2016, no inventories were pledged as collateral for liabilities during the period under review.

14 – Trade receivables

Trade receivables have the following components:

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Trade receivables at nominal value	244.2	222.8
Less allowance for doubtful accounts	-9.1	-9.0
Total	**235.1**	**213.8**

The increase in receivables reflects the improved earnings situation.

At December 31, 2017, trade receivables in the amount of EUR 135.4 million (previous year: EUR 105.9 million) were neither overdue nor written down.

Trade receivables in the amount of EUR 73.4 million were written down in 2017 (previous year: EUR 98.2 million). Write-downs amounted to EUR 9.1 million at the closing date (previous year: EUR 9.0 million).

As of December 31, 2017, trade receivables that were overdue but not written down could be broken down as follows:

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Overdue but not written down <30 days	17.5	7.1
Overdue but not written down 30 – 90 days	7.5	6.4
Overdue but not written down >90 days	10.5	5.2
Total	**35.5**	**18.7**

The increase in receivables over 30 days past due but not written down is attributable to the elimination of lump-sum allowances for doubtful accounts, while the increase in receivables over 90 days past due but not written down is due to customer overdrafts outside of our core markets in China and South America.

Allowances for doubtful accounts developed as follows:

IN € MILLION

	2017	2016
Balance at January 1	9.0	9.9
Exchange rate differences	-0.4	–
Additions	3.8	1.6
Amount used for write-offs	-0.7	-1.9
Reversals	-2.6	-0.6
Balance at December 31, 2017	**9.1**	**9.0**

The Group regards the concentration of risk with regard to trade receivables as low since a large number of its customers are distributed across different countries, specialize in different industries and operate on largely unconnected markets. Regular credit checks verify the financial standing of customers. Allowances for doubtful accounts are made where necessary.

The fair value is a reasonable approximation of the book value since all receivables are due within less than one year.

15 – Other current assets

IN € MILLION	Dec. 31, 2017	Dec. 31, 2016
Positive fair value from derivatives	4.8	–
Receivables from customers	0.4	0.4
Loans	0.3	0.4
Misc. other current financial assets	2.8	1.7
Other current financial assets	**8.3**	**2.5**
Sales tax	6.4	6.9
Advance payments	8.3	6.8
Advances to employees	0.2	0.2
Misc. other current non-financial assets	1.7	0.6
Other current non-financial assets	**16.6**	**14.5**
Total	**24.9**	**17.0**

The fair value of remaining current financial assets is a reasonable approximation of the book value since all items have a maturity of less than one year.

Please refer to item 24 “Derivative financial instruments” in these Notes for more information about the positive fair value of foreign exchange forward contracts.

The advance payments mainly relate to measures to support dealers in the US and other services to be deferred in the ordinary course of business.

16 – Cash and cash equivalents

IN € MILLION	Dec. 31, 2017	Dec. 31, 2016
Petty cash	25.1	15.4
Bank balances	2.1	2.1
Cash deposits	0.1	0.1
Total	**27.3**	**17.6**

Daily cash balances held with banks bear interest at variable interest rates. Depending on the company’s liquidity requirements, surplus cash and cash equivalents are set up as short-term, term accounts running from one day to three months. The term accounts yield interest at the agreed prevailing rates.

Petty cash in the amount of EUR 88.2 million (including cash pool current account balances) (previous year: EUR 113.6 million) was netted against cash pool current account liabilities amounting to EUR 63.1 million (previous year: EUR 98.2 million), as a netting (offset) option was agreed with the cash pool bank. Current account balances at December 31, 2017 amounted to EUR 25.1 million (previous year: EUR 15.4 million) after netting.

17 – Non-current assets held for sale

A tract of developed land and the associated building in Norton Shores, USA, which was previously reported under property, plant and equipment, was reclassified as a “non-current asset held for sale” in fiscal 2017 with a book value of EUR 5.5 million. The Group no longer requires this property due to restructuring measures in the US aimed at optimizing capacity utilization. The sale is expected to take place during the first quarter of 2018.

Additionally, a site in Melbourne, Australia, with a book value of EUR 6.9 million has been reallocated from property, plant and equipment to “non-current assets held for sale”, also as a result of optimizing warehouse capacities. The sale is scheduled for completion in the first quarter of 2018 here too.

This item also includes a site in Munich, Germany (EUR 1.7 million), again previously reported as property, plant and equipment. This reclassification was based on significant progress in negotiations with the prospect of closure within one year and the ensuing relocation of testing to Reichertshofen, which will free up funds tied up in the Munich site. The sale of this property is expected to take place during the second quarter of 2018.

18 – Equity

As in the previous year, subscribed capital amounted to EUR 70.1 million and is divided into 70,140,000 individual no-par-value registered shares, each representing a proportionate amount of the share capital of EUR 1.00. The share capital was fully paid in at the closing date of the Consolidated Financial Statements.

Other reserves are as follows:

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Capital reserves	618.7	618.7
Exchange rate differences	-18.3	12.2
Other changes without effect	-18.1	-18.5
Total	**582.3**	**612.4**

The capital reserves primarily result from share premiums in connection with the IPO and the merger with Wacker Neuson Beteiligungs GmbH (formerly Neuson Kramer Baumaschinen AG).

The reserve for exchange differences includes gains and losses from translating the annual financial statements of consolidated affiliates that are prepared in foreign currencies according to the concept of the functional currency and that have no impact on the financial result. For the first time in the current fiscal year, a foreign currency loan in US dollars to a foreign business operation was classified as part of a net investment, where the associated currency translation differences are recognized in the reserve for exchange rate differences. The large change relative to the previous year is mainly due to the movement of the USD rate. → Page 92

Other neutral changes include reserves for the recognition of gains and losses from reevaluations of pensions and similar obligations, primarily actuarial gains and losses.

The company did not hold any treasury shares at December 31, 2017, nor at any point during the 2017 fiscal year or the previous year.

In 2017, the Group paid out EUR 35.1 million in dividends (EUR 0.50 per share). In 2016, the Group also paid out EUR 35.1 million in dividends (EUR 0.50 per share). In 2018, the dividend payout proposal for fiscal 2017 amounts to EUR 42.1 million (EUR 0.60 per share). Proposed dividend payouts for no-par-value shares that require AGM approval were not recognized as a liability at December 31. Please refer to the statement of changes in equity for further details on equity.

Authorized Capital 2017
At the AGM on May 30, 2017, the Executive Board was authorized to increase the company's share capital by May 29, 2022, subject to the approval of the Supervisory Board, by issuing up to 17,535,000 new, registered shares against cash contributions and/or contributions in kind, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000.00 (Authorized Capital 2017).

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

Rights, preferential rights and restrictions on shares
There are pool agreements between some shareholders and companies of the Wacker family on the one hand, and companies and shareholders of the Neunteufel family on the other, which essentially regulate the exercise of voting and petition rights at the AGM and restrict the transfer of shares. A pool agreement also exists between a shareholder of the Neunteufel family and Mr. Martin Lehner that permits the Neunteufel family shareholder to exercise the voting rights attributable to Mr. Martin Lehner's shares. For detailed information, please refer to the Management Report "Restrictions affecting voting rights or the transfer of shares".

19 – Provisions for pensions and similar obligations

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Provisions for pension obligations	48.5	49.6
Provisions for other obligations to employees	0.1	–
Total	**48.6**	**49.6**

Within the Group, there are different types of retirement benefit schemes worldwide for old age and surviving dependents' pensions. Most of the schemes provide for the payment of fixed lump-sum amounts. The others are defined retirement plans with a pension paid from retirement until death. The amounts to be paid are based on the ranking of the employee concerned (with respect to both salary and hierarchy) as well as their years of service to the company.

At the parent company, pension commitments due to enter into effect as of retirement age are primarily in place for Executive Board members, as well as for former executives and Executive Board members.

For the remaining domestic and foreign companies, the schemes partly provide for a lump-sum payment which is based on the salary at retirement age multiplied by a factor based on years of service with the company, and partly for pension payments from retirement until death based on earnings for employees who fulfill the time-of-service requirements, which differ from country to country.

The defined benefit plans are partly financed by liability insurance. There are also pension commitments that are not financed by liability insurance or funds, where the Group pledges to make future payments when the pension payouts are due. This primarily refers to pension commitments governed by the legal framework of individual countries (adjustments to pensions, for example).

Foreign affiliates also have defined contribution plans. In such cases, the individual company makes contributions to the relevant pension insurance schemes either because of legal requirements or contractual agreements. There is no further obligation for the company beyond these payments. The periodic contributions are recognized as an expense under profit before interest and tax (EBIT) in the respective year.

The actuarial valuation is essentially based on the following assumptions:

		2017	2016
Actuarial assumptions1			
Discount rate	as a %	1.79	1.73
Salary trends	as a %	0.56	0.59
Pension trends	as a %	1.79	1.80
Retirement age	in years	64	64

1 Weighted average of the individual benefit schemes

Pension obligations are distributed as follows:

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Fair value of pension obligations, funded	31.7	31.3
Fair value of plan assets	-11.9	-10.7
Shortfall in pension obligations, funded	**19.8**	**20.6**
Fair value of pension obligations, not funded	28.8	29.0
Shortfall in all pension obligations	**48.6**	**49.6**
Pension obligations	**48.6**	**49.6**

The changes in the present value of pension obligations and of plan assets are as follows:

IN € MILLION

	2017	2016
Changes in the present value of pension obligations		
Balance at January 1	60.3	53.0
Current service costs	0.9	1.8
Interest expense	1.0	1.3
New valuations:		
Actuarial gains/losses		
- from changes to demographic assumptions	-0.1	–
- from changes to financial assumptions	-1.8	5.8
Experience adjustments	–	0.2
Changes in exchange rate	0.5	–
Paid benefits	-2.2	-2.0
Past service cost	1.9	0.2
Balance at December 31	**60.5**	**60.3**

IN € MILLION

	2017	2016
Changes in fair value of plan assets		
Balance at January 1	10.7	9.4
Interest income	0.2	0.2
Changes in exchange rate	–	–
New valuations:		
From changes to financial assumptions	0.1	–
Experience adjustments	-0.1	-0.1
Employer’s contributions	1.3	1.3
Payouts	-0.3	-0.1
Settlements		
Balance at December 31	**11.9**	**10.7**

Unvested past service costs in the amount of EUR 1.9 million resulting from the reorganization of the Executive Board are recognized as a one-off effect.

Plan assets include pension liability insurance for German life insurance schemes where future payments are pledged in favor of the entitled recipient. Pension liability insurance schemes are not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 11.9 million (previous year: EUR 10.7 million).

The average term of a defined benefit obligation was 16.6 years at the close of the reporting period (previous year: 16.8 years).

The investment strategy for plan assets is designed to achieve a sufficient return on investment in connection with contributions with a view to managing the financing risk from pension obligations appropriately. The actual contributions may differ from the investment strategy as a result of changing economic conditions.

Pension expenses are as follows:

IN € MILLION

	2017	2016
Current service costs	0.9	1.8
Interest expense for pension obligations	1.0	1.3
Net interest	-0.2	-0.2
Past service cost	1.9	0.2
Total pension expense from defined benefit schemes	**3.6**	**3.1**
Total pension expense from defined contribution schemes	**0.8**	**0.8**
Total contributions to statutory pension insurance schemes	**21.0**	**20.0**
Total pension expense	**25.4**	**23.9**

Interest expense ensuing from pension obligations is recognized in the financial result. The remaining pension expense is part of personnel costs shown in the appropriate functional line of the income statement.

The valuation date for the current value of fund assets and the present value of obligations is December 31 for each year. The base value for the calculation of unaccrued interest concerning pension obligations is the present value of obligations as of January 1. The base value for the anticipated return on fund assets is the current value as per January 1. Transfers during the year are accounted for on a pro-rata basis.

The contributions expected to be made to German fund assets in 2018 amounted to EUR 1.4 million (previous year: EUR 1.3 million).

The following overview shows the projected pension pay-outs for the next five years:

IN € MILLION

Due in 2018	2.2
Due in 2019	2.2
Due in 2020	2.3
Due in 2021	2.1
Due in 2022	2.3

The following overview shows the sensitivity of key actuarial assumptions:

IN € MILLION

	as a %	Sensitivity	Increase in valuation parameters	Decrease in valuation parameters
Discount rate	1.79	+/- 1,00 %	-8.8	11.3
Salary trends	0.56	+/- 0,50 %	0.2	-0.2
Pension trends	1.79	+/- 0,50 %	4.1	-3.7

The sensitivity analysis shows how the value of pension obligations would develop if individual actuarial assumptions changed. The sensitivity is only determined following the projected unit credit method. This involves determining and displaying the impact of a change to individual actuarial assumptions, while all other assumptions remain unchanged.

The following risks arise for the Group from pension commitments:

- A reduction in the discount rate results in a rise in pension obligations.
- An increase in life expectancy results in a rise in pension obligations.

The following table shows the effects of a one percentage point increase or reduction in assumed healthcare costs:

IN € MILLION

	Additions	Reversals
2017		
Effect on the present value of pension obligations	0.4	-0.3
2016		
Effect on the present value of pension obligations	0.3	-0.3

The present value of obligations as well as pension pay-outs and reevaluations are distributed as follows across pension obligations and healthcare contributions:

IN € MILLION

	2017	2016
Provisions for pensions recorded in the balance sheet		
Pension obligations	47.2	48.0
Healthcare	1.4	1.6
Total	**48.6**	**49.6**
Pension expenses listed under EBIT		
Pension obligations	0.9	1.8
Healthcare	–	–
Total	**0.9**	**1.8**
New valuations		
Pension obligations	-1.9	6.1
Healthcare	-0.2	-0.1
Total	**-2.1**	**6.0**

20 – Other provisions

The provisions are as follows:

IN € MILLION

	Balance at Jan. 1, 2017	Currency	Utilization	Additions	Reversals	Balance at Dec. 31, 2017
Provisions						
Warranties	11.8	-0.3	-4.6	7.9	-2.4	12.4
Obligations towards employees	6.9	–	-2.3	2.2	-0.4	6.4
Professional fees	0.3	–	-0.2	0.1	–	0.2
Litigation costs	0.4	–	–	0.3	-0.1	0.6
Other provisions	0.9	-0.2	-0.5	3.4	-0.2	3.4
Total	**20.3**	**-0.5**	**-7.6**	**13.9**	**-3.1**	**23.0**

	Balance at Jan. 1, 2016	Currency	Utilization	Additions	Reversals	Balance at Dec. 31, 2016
Provisions						
Warranties	10.3	0.1	-2.3	4.3	-0.7	11.7
Obligations towards employees	6.3	–	-2.2	3.2	-0.3	7.0
Professional fees	0.2	–	-0.1	0.3	-0.1	0.3
Litigation costs	0.2	–	–	0.3	-0.1	0.4
Other provisions	0.7	–	-0.5	0.8	-0.1	0.9
Total	**17.7**	**0.1**	**-5.1**	**8.9**	**-1.3**	**20.3**

An interest effect of less than EUR 0.1 million was recognized in the provisions for 2017 (previous year: EUR 0.3 million). The increase in other provisions is mainly due to restructuring activities in the US in the amount of EUR 1.4 million, as well as to provisions for expenses payable to Executive Board members.

The due dates of the above provisions are distributed as follows:

IN € MILLION

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at Dec. 31, 2017
Provisions			
Warranties	11.1	1.3	12.3
Obligations towards employees	2.8	3.6	6.4
Professional fees	0.2	–	0.2
Litigation costs	0.3	0.2	0.5
Other provisions	2.6	0.9	3.6
Total	**17.0**	**6.0**	**23.0**

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at December 31, 2016
Provisions			
Warranties	10.8	0.9	11.7
Obligations towards employees	3.3	3.7	7.0
Professional fees	0.3	–	0.3
Litigation costs	0.4	–	0.4
Other provisions	0.9	–	0.9
Total	**15.7**	**4.6**	**20.3**

Company obligations from employee work accounts are offset against securities classified as assets, which are created in order to secure these claims. Obligations from employee work accounts came to EUR 5.6 million (previous year: EUR 4.8 million). The cost of acquiring the securities amounts to EUR 5.1 million (previous year: EUR 4.2 million) and the fair value at December 31, 2017 was EUR 5.6 million (previous year: EUR 4.8 million), of which EUR 5.6 million is offset (previous year: EUR 4.8 million).

21 – Financial liabilities

Financial liabilities comprise the following amounts recognized under the balance sheet items “Long-term financial borrowings” (EUR 155.0 million; previous year: EUR 30.0 million), “Short-term borrowings from banks” (EUR 20.3 million; previous year: EUR 190.5 million) and “Current portion of long-term borrowings” (EUR 0.0 million; previous year: EUR 2.9 million).

The book values of financial liabilities developed as follows:

IN € MILLION

	Dec. 31, 2017	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	20.3	20.3	–	–
Schuldschein loan agreements	155.0	–	155.0	–
Total	**175.3**	**20.3**	**155.0**	**–**

	Dec. 31, 2016	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	103.4	103.4	–	–
Schuldschein loan agreements	119.9	90.0	30.0	–
Liabilities from finance leases	0.1	–	0.1	–
Total	**223.4**	**193.4**	**30.1**	**–**

The following table shows the remaining contractual periods of the financial liabilities at December 31, 2017, together with the estimated interest payments. These are undiscounted gross amounts which include the estimated interest payments.

IN € MILLION

	Dec. 31, 2017	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	20.3	20.3	–	–
Schuldschein loan agreements	161.5	2.0	159.5	–
Total	**181.8**	**22.3**	**159.5**	**–**

	Dec. 31, 2016	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	103.5	103.5	–	–
Schuldschein loan agreements	126.0	93.8	32.2	–
Total	**229.5**	**197.3**	**32.2**	**–**

Borrowings from banks

Borrowings from banks include the following items:

BORROWINGS FROM BANKS

	Dec. 31, 2017 in € million	Interest rate as a percentage	Interest rate type	Due dates
Money market loans in USD	19.9	1.2 – 4.0	fix	< 1 year
Loans in Brazilian reals	0.4	4.0	variable	< 1 year
Total	**20.3**	-		

	Dec. 31, 2016 in € million	Interest rate as a percentage	Interest rate type	Due dates
Long-term loan	2.8	6.0	fix	Annuities by 2017
Money market loans in SEK	8.4	0.5	fix	< 1 year
Money market loans in GBP	7.0	1.0	fix	< 1 year
Money market loans in PLN	5.8	2.0	fix	< 1 year
Money market loans in HKD	7.0	1.6 – 1.8	fix	< 1 year
Money market loans in CZK	2.3	0.3	fix	< 1 year
Money market loans in CHF	12.5	0.0	fix	< 1 year
Money market loans in NOK	3.3	1.6	fix	< 1 year
Money market loans in AUD	10.6	3.2 – 3.4	fix	< 1 year
Money market loans in ZAR	1.6	9.3	fix	< 1 year
Money market loans in EUR	0.1	–	fix	< 1 year
Subtotal on fixed interest rate loans	**61.4**			
Money market loans in USD	41.9	1.4 – 1.6	fix/variable	< 1 year
Loans in Brazilian reals	0.1	13.0 – 14.7	variable	< 1 year
Subtotal on variable interest rate loans	**42.0**			
Total	**103.4**			

Please refer to item 31 “Risk management” in these Notes for information on the sensitivity of interest risks associated with variable interest borrowings.

Borrowings from banks in the form of money market loans were replaced by currency swaps with banks in 2017.

The following table lists the assured credit lines that were not utilized by Wacker Neuson SE:

IN € MILLION	2017
First credit line EUR/USD	30.0
Second credit line EUR/USD (3 mo. Euribor + 0,5%)	70.0
Third credit line USD	20.1
Fourth credit line EUR	65.0
Fifth credit line EUR	44.5
Sixth credit line EUR	35.7
Seventh credit line EUR	40.0
Eighth credit line EUR	20.0
Ninth credit line EUR	10.0
Tenth credit line EUR	15.0
Eleventh credit line EUR	7.5
Twelfth credit line BRL	2.3
Thirteenth credit line TRY	0.1
Fourteenth credit line BRL	1.8
Fifteenth credit line EUR	0.3
Sixteenth credit line CLP	15.0
Seventeenth credit line EUR	20.0
Eighteenth credit line EUR	35.0
Nineteenth credit line ZAR	–
Total	**432.3**

IN € MILLION	2016
First credit line EUR/USD	28.7
Second credit line EUR/USD (3 mo. Euribor + 0.5%)	63.4
Third credit line USD	20.6
Fourth credit line EUR	43.5
Fifth credit line EUR	1.4
Sixth credit line EUR	25.4
Seventh credit line EUR	35.7
Eighth credit line EUR	25.7
Ninth credit line EUR	20.0
Tenth credit line EUR	10.0
Eleventh credit line EUR	14.9
Twelfth credit line BRL	3.2
Thirteenth credit line TRY	0.1
Fourteenth credit line BRL	2.0
Fifteenth credit line EUR	0.3
Sixteenth credit line CLP	2.5
Seventeenth credit line EUR	15.0
Eighteenth credit line EUR	20.0
Nineteenth credit line ZAR	–
Total	**332.4**

The book values of borrowings from banks with variable and fixed interest rates were reported in the following currencies (equivalent in euros):

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Euro	–	2.9
USD (USA)	19.9	41.9
CHF (Switzerland)	–	12.5
AUD (Australia)	–	10.6
SEK (Sweden)	–	8.4
GBP (United Kingdom)	–	7.1
HKD (Hong Kong)	–	7.0
PLN (Poland)	–	5.8
NOK (Norway)	–	3.3
CZK (Czech Republic)	–	2.2
ZAR (South Africa)	–	1.6
BRL (Brazil)	0.4	0.1
RSD (Serbia)	–	–
Total	**20.3**	**103.4**

The fair value for the Schuldschein loan agreement amounted to EUR 156.2 million at December 31, 2017 (previous year: EUR 120.6 million) (measurement of fair value at hierarchy level 3). All other fair values of financial liabilities largely correspond to the book values.

Schuldschein loan agreement

One tranche of a Schuldschein loan agreement was issued in fiscal 2012 and another in fiscal 2017:

IN € MILLION

	Dec. 31, 2017 Repayment amount	Dec. 31, 2017 Transaction fees	Dec. 31, 2017 Total nominal value	Dec. 31, 2017 Interest rate as a %	Due date
Schuldschein loan agreement – Tranche I	125.0	0.1	124.9	0.69	February 2022
Schuldschein loan agreement – Tranche II	30.0	–	30.0	3.66	February 2019
Total	**155.0**	**0.1**	**154.9**		

Liquid funds payable from the Schuldschein loan agreement refer to annual interest through 2022 on the first tranche amounting to EUR 0.9 million and a repayment in the amount of EUR 125.0 million to be made on February 28, 2022. For the second tranche, annual interest payments in the amount of EUR 1.1 million are to be made through 2019 and a repayment in the amount of EUR 30.0 million is due on February 27, 2019.

Financial covenants

Financial covenants exist for the following financial instrument of Wacker Neuson SE:

Schuldschein loan agreement
The Schuldschein loan agreement issued in 2012 and due in 2018, in the amount of EUR 30,0 million, is subject to financial covenants customary in the market, for example, cross default, negative pledge and change of control clauses. A minimum Group equity ratio[1] of 30 percent has been agreed as a binding financial covenant. The covenants were observed in the fiscal year under review.

22 – Trade payables

As of December 31, 2017, trade payables (at book value) were broken down as follows:

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Trade payables	**128.0**	**87.6**
Book value due < 30 days	94.6	67.4
Book value due 30 – 90 days	33.0	19.9
Book value due > 90 days	0.4	0.3

Interest does not accrue on trade payables. The increase in trade payables is due in part to longer payment terms with suppliers.

23 – Other current liabilities

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Other accruals/deferrals	26.7	24.1
Liabilities to customers	3.5	3.5
Misc. other current financial liabilities	1.3	2.1
Derivatives	1.2	0.3
Other current financial liabilities	**32.7**	**30.0**
Personnel accruals/deferrals	26.6	23.5
Tax accruals/deferrals and tax liabilities	17.3	7.3
Sales tax liabilities	11.2	11.8
Advance payments received	2.9	0.9
Other	2.9	1.2
Other current non-financial liabilities	**60.9**	**44.7**
Total	**93.6**	**74.7**

The other accruals/deferrals mainly consist of outstanding invoices.

The increase in tax accruals/deferrals and tax liabilities is due in particular to higher income tax provisions recognized in view of the positive profit situation.

The increase in advance payments received is attributable to the company requiring advance payment from customers with poor or zero credit ratings.

The other current accruals/deferrals consist of deferred income, in particular deferred revenue.

The fair values of current financial liabilities are reasonable approximations of the book values.

[1] Group equity ratio. Ratio of equity before minority interests to total capital.

24 – Derivative financial instruments

Derivative financial instruments not treated according to hedge accounting criteria

Derivatives concluded as economic hedges for future foreign exchange transactions (underlying transaction) and as interest rate hedges do not satisfy formal hedge accounting criteria and are therefore classified as "financial assets held for trading" and recognized at fair value through profit or loss. The nominal amounts and fair values of derivative financial instruments (interest rate caps and foreign exchange forward contracts) are recognized as follows as at December 31, 2017 and December 31, 2016:

IN € MILLION

	Dec. 31, 2017 nominal value	Dec. 31, 2017 market value	Dec. 31, 2016 nominal value	Dec. 31, 2016 market value
Assets				
Currency hedges	85.7	4.8	–	–
Total	**85.7**	**4.8**	**–**	**–**
Liabilities				
Currency hedges	42.6	1.2	2.5	0.3
Total	**42.6**	**1.2**	**2.5**	**0.3**

Please refer to item 27 "Additional information on financial instruments" in these Notes for information regarding net profits and losses from these financial instruments.

IN € MILLION

	Up to 1 year nominal value	1 to 5 years nominal value	Over 5 years nominal value
Assets			
Currency hedges	85.7	–	–
Total	85.7	–	–
Liabilities			
Currency hedges	42.6	–	–
Total	**42.6**	**–**	**–**

There is no significant exposure to credit risks since all derivative contracts were entered into with banks that have a top credit rating.

Other information

25 – Contingent liabilities

Contingent liabilities, on the one hand, represent possible obligations that may be incurred depending on the occurrence of a future event or events which are of an uncertain nature and not wholly within the control of the company. On the other hand, contingent liabilities represent present obligations for which payment is not probable or the amount of the obligation cannot be determined with sufficient reliability.

The Group has undersigned the following guarantees:

IN € MILLION	Dec. 31, 2017	Dec. 31, 2016
Guarantees	5.9	5.2

These include rental guarantees and a guarantee in the amount of EUR 4.1 million (previous year: EUR 4.1 million) arising from a contract with the city of Munich to develop a property.

26 – Other financial liabilities

a) Obligations for equipment rental and service

The terms of the obligations for rental equipment and service contracts are as follows:

IN € MILLION	Dec. 31, 2017	Dec. 31, 2016
Obligations due within 1 year	14.5	18.3
Obligations due in 1 to 5 years	24.7	26.9
Obligations due in more than 5 years	6.9	8.6
Total	**46.1**	**53.8**

These include obligations for rental and service contracts that cannot be terminated with a term of one year or less in the amount of EUR 9.1 million (previous year: EUR 12.9 million), with a term of between one and five years in the amount of EUR 21.5 million (previous year: EUR 24.5 million) and with a term of over five years in the amount of EUR 6.8 million (previous year: EUR 8.4 million).

b) Lease obligations

Finance lease obligations

When the Group is the lessee
The Group recognizes assets of less than EUR 0.1 million in connection with finance lease obligations.

Operating leases

When the Group is the lessee
To the extent that a Group member acts as a lessee, the lease payments are recognized as an expense over the term of the lease on a straight-line basis. This essentially refers to leased vehicles, computer hardware and other office equipment.

Outstanding commitments for future minimum lease payments under operating leases that cannot be terminated can be seen in the following table:

2017

IN € MILLION	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	5.6	4.5	0.2	10.3

2016

IN € MILLION	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	5.1	7.3	0.2	12.6

In 2017, EUR 6.0 million (previous year: EUR 5.3 million) was expensed from operating lease agreements.

When the Group is the lessor
The Group has concluded lease agreements with its customers for the commercial rental of its equipment. These agreements can be terminated at any time and as such it is not possible to specify minimum lease payments. During the period under review, indirect lease payments amounting to EUR 0.9 million (previous year: EUR 2.7 million) were recorded as income.

c) Obligations resulting from investment decisions / takeback and purchase commitment obligations

Financial obligations ensuing from construction and investment projects amounting to EUR 2.8 million (previous year: EUR 2.7 million) and from takeback obligations amounting to EUR 48.8 million (previous year: EUR 39.2 million) have been recognized.

In addition, unconditional purchase commitments amounting to EUR 155.5 million (previous year: EUR 132.5 million) are in place.

d) Legal proceedings and court cases

In the course of its normal activities, the company is exposed to judicial and extrajudicial proceedings from time to time. The outcome of these proceedings often depends on an uncertain future event and cannot be predicted with certainty. The Group is involved in a number of individual cases where the outcomes are considered to be insignificant.

27 – Additional information on financial instruments

The book and fair values of financial assets and liabilities are presented in the following table, which also shows how the individual items are categorized:

IN € MILLION

	2017 Fair value	2017 Book value	Initial disclosure	Held for trading	Held for sale	Hedges	Loans and receivables	Held to maturity	Leases and others (book value)
			IAS 39 classification (book value)						
			Measured at fair value recognized in the income statement		Measured at fair value with changes recognized in equity		At amortized cost		
Assets									
Other non-current financial assets	29.9	29.9	–	–	1.6	–	28.3	–	–
Trade receivables	235.1	235.1	–	–	–	–	235.1	–	–
Other current financial assets	8.3	8.3	–	–	–	–	8.3	–	–
Cash and cash equivalents	27.3	27.3	–	–	–	–	27.2	–	0.1

IN € MILLION

	2017 Fair value	2017 Book value	Initial disclosure	Held for trading	At amortized cost	Hedges	Leases and others (book value)
			Measured at fair value recognized in the income statement		At amortized cost	Measured at fair value with changes recognized in equity	
Liabilities							
Long-term financial borrowings	156.2	155.0	–	–	155.0	–	–
Trade payables	128.0	128.0	–	–	128.0	–	–
Short-term borrowings from banks	20.3	20.3	–	–	20.3	–	–
Current portion of long-term borrowings	–	–	–	–	–	–	–
Other short-term financial borrowings	32.7	32.7	–	1.2	31.5	–	–

IN € MILLION

	2016 Fair value	2016 Book value	Initial disclosure	Held for trading	Held for sale	Hedges	Loans and receivables	Held to maturity	Leases and others (book value)
			IAS 39 classification (book value)						
			Measured at fair value recognized in the income statement		Measured at fair value with changes recognized in equity		At amortized cost		
Assets									
Other non-current financial assets	24.5	24.5	–	–	1.6	–	22.9	–	–
Trade receivables	213.9	213.9	–	–	–	–	213.9	–	–
Other current financial assets	2.5	2.5	–	–	–	–	2.5	–	–
Cash and cash equivalents	17.6	17.6	–	–	–	–	17.4	–	0.1

IN € MILLION

	2016 Fair value	2016 Book value	Initial disclosure	Held for trading	At amortized cost	Hedges	Leases and others (book value)
			Measured at fair value recognized in the income statement		At amortized cost	Measured at fair value with changes recognized in equity	
Liabilities							
Long-term financial borrowings	31.1	30.0	–	–	30.0	–	0.1
Trade payables	87.2	87.2	–	–	87.2	–	–
Short-term borrowings from banks	190.3	190.5	–	–	190.5	–	–
Current portion of long-term borrowings	2.9	2.9	–	–	2.8	–	–
Other short-term financial borrowings	30.0	30.0	–	0.3	29.7	–	–

The following table shows the net profits and losses from financial instruments based on valuation categories. It does not include any effects on income resulting from finance leases as these are not allocated to any valuation categories defined in IAS 39. Similarly, interest and dividends have not been recognized on the net profits and losses from financial instruments.

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Loans and receivables	1.6	-1.9
Held for trading (derivatives)	4.4	-0.3
Held for sale	–	–
Financial liabilities measured at amortized cost	-3.8	1.0

The net gain/loss in the loans and receivables category results from allowances for doubtful accounts on trade receivables.

The gains and losses from adjustments to the fair value of derivatives that do not meet hedge accounting criteria are included in the category of "Assets held for trading".

Total interest income (EUR 0.1 million; previous year: EUR 0.1 million) and total interest expense (EUR 4.9 million; previous year: EUR 6.1 million) was recognized for financial assets and liabilities (calculated using the effective interest method) that were not valued at fair value through profit or loss.

Financial instruments in the form of foreign currency trade receivables and payables are valued at the relevant spot rates applicable on the balance sheet dates. This resulted in expense in the amount of EUR 2.0 million (previous year: EUR 1.4 million), which is reported in the financial results.

The table below shows the financial instruments subsequently valued at fair value. Refer to the section on accounting and valuation methods for information on how fair value is categorized (into hierarchical levels) in accordance with IFRS 13.

The methods and assumptions used to determine the fair values were as follows:

IN € MILLION

	Level 1	Level 2	Level 3	Dec. 31, 2017
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	4.8	–	4.8
Financial assets categorized “measured at fair value not recognized in the income statement”				
Securities	1.6	–	–	1.6
Financial liabilities categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	0.9	–	0.9
Hedged derivatives	–	0.3	–	0.3

IN € MILLION

	Level 1	Level 2	Level 3	Dec. 31, 2016
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	–	–	–
Financial assets categorized “measured at fair value not recognized in the income statement”				
Securities	1.6	–	–	1.6
Financial liabilities categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	0.3	–	0.3
Hedged derivatives	–	–	–	–

Long-term fixed and variable rate receivables/borrowings are evaluated by the Group based on parameters including interest rates, country-specific risk factors, the creditworthiness of individual customers and the risk characteristics of the financed project. Based on this evaluation, allowances for doubtful accounts are made to account for the expected losses from these receivables. As of December 31, 2017, the book values of these receivables, less allowances for doubtful accounts, corresponded approximately to their calculated fair values.

The fair value of financial assets available for sale is derived from quoted prices on active markets.

The Group concludes derivative financial instruments with various counterparties, principally financial institutions with a high credit rating. Derivatives valued by applying an evaluation process with input parameters observable on the market primarily include forward exchange contracts. The most frequently used evaluation methods include forward price models using present value calculations. The models incorporate various inputs including the credit standing of the business partner, spot exchange rates, futures rates and forward exchange rates.

The fair values of the Group’s interest-bearing loans are determined using the discounted cash flow method. The discount rate used reflects the borrowing rate of the issuer at the close of the period under review. The Group’s own risk of non-performance was classified as low at December 31, 2017.

28 – Events since the balance sheet date

On February 27, the Wacker Neuson Corporation, USA (a wholly owned affiliate of Wacker Neuson SE) placed a Schuldschein loan in the amount of USD 100 million.

On March 19, the Australian affiliate sold a real estate property in Melbourne that was formerly classified as non-current assets held for sale.

29 – Segmentation

Division and determination of operating segments

The internal organizational structure and management structure as well as the internal reports to the Executive Board and Supervisory Board, which are based on geographical segments, form the basis for determining the operating segments of the company. For information regarding geographical segmentation of affiliates, please refer to the section on consolidation structure (see the general information on accounting standards / consolidation structure). According to this structure, the affiliates are geographically grouped into regional markets (Europe, Americas and Asia-Pacific). Turkey, Russia and South Africa are included in the Europe segment. Reporting is also carried out internally according to business segments. This exclusively deals with revenue. Company management will therefore continue to focus on geographical segments. In the period under review, no segmentation changes were made.

Products and services of operating segments

The products and services offered by the geographical operating segments can be divided into light equipment, compact equipment and services.

The light equipment business segment covers the manufacture and sale of light equipment in the three business fields of concrete technology, compaction and worksite technology.

The compact equipment business segment covers the manufacture and sale of compact equipment.

The services business segment houses the company’s activities in the spare parts, maintenance and used equipment business fields.

Segment valuation methods

The intrasegment business transactions that were reported under EBIT for the individual segments are listed in the consolidation column. Non-current assets are reported according to key countries.

Segment valuation methods are based on the valuation methods used in internal reporting. Internal reporting is carried out exclusively in line with the valid IFRS standards as applicable.

Transactions between the individual Group segments are based on prices that also apply to third-party transactions.

Reporting format

Segment reporting is presented in the Notes to the Consolidated Financial Statements on → page 85 of this Annual Report.

Segment revenue and segment earnings, expressed as EBIT, are derived from internal reporting. Figures from the individual companies are added together to reach this EBIT figure. As the holding company, Wacker Neuson SE is allocated to the Europe segment. Expenses for the corporate services it provides are allocated in full to the individual regional reportable segments.

The consolidation column reflects the eliminated transactions affecting income that took place between operating segments. This primarily refers to the consolidation of intercompany profits and losses from the sale of goods.

Revenue from external customers, categorized according to products and services, are recognized at company level. In addition, revenue and non-current assets are reported according to key countries. No individual customer accounted for more than 10 percent of Group revenue.

30 – Cash flow statement

The cash flow statement is prepared in accordance with IAS 7. It reports cash flows resulting from operating activities, from investing activities and from financing activities. Insofar as changes in cash and cash equivalents are due to foreign exchange rate fluctuations, these are reported separately. The determination of cash flow from operating activities was derived using the indirect method.

Current liquid funds comprise cash and cash equivalents that are as reported on the balance sheet. Short-term borrowings from banks in the notional Group cash pool were offset against cash and cash equivalents.

Please refer to item 16 in these Notes to see the breakdown of current liquid funds.

Non-cash operating expenses and income as well as gains or losses on the sale of property, plant and equipment have been eliminated from the cash flow from operating activities.

Actuarial gains or losses from pension obligations (2017: gain of EUR 0.9 million; previous year: loss of EUR 6.0 million) have been allocated to changes in provisions to improve readability. In the past, the change in provisions resulted primarily from non-cash changes in the actuarial valuation of pensions. Currency effects from the valuation of receivables and payables in foreign currencies and from the valuation of cash and cash equivalents in the financial result are also recognized in the “Financial result” correction line in the consolidated cash flow statement. The previous year's figures were voluntarily adjusted in line with IAS 8.29 (b) in this regard.

Cash flow from operating activities now includes net change in rental equipment as a separate item. This is intended to provide greater transparency over the Group's operating activities in relation to cash flow, in line with the change in balance sheet reporting. In contrast with the previous year's reporting, the new item includes

- Book value from the disposal of rental equipment amounting to EUR 23.7 million (previous year: EUR 20.2 million)
- Write-downs on rental equipment amounting to EUR 32.6 million (previous year: EUR 28.6 million)
- Investments in rental equipment amounting to EUR 71.7 million (previous year: EUR 58.4 million)

Write-downs on rental equipment were a component of the overall write-down total in the previous year's reporting.

Cash flow from investment activities comprises the cash outlay for tangible and intangible assets less divestments. In the previous year, investments in rental equipment were reported as investments in property, plant and equipment. These are now included as a component of the item “Change in rental equipment, net” for the reasons stated above. The previous year's reporting was voluntarily adjusted in line with IAS 8.29 (b) in this regard.

Cash flow from financing activities contains payments received from and made to shareholders. It also contains payments resulting from the borrowing and repayment of debt. After re-evaluating the bookings, the Group decided to move interest received in the amount of EUR 2.6 million (previous year: EUR 1.4 million), primarily attributable to financing measures for the expansion of sales activities, from cash flow from operating activities to cash flow from financing activities. This was done to improve general presentation and transparency. Furthermore, interest paid in the amount of EUR 9.2 million (previous year: EUR 8.1 million), primarily attributable to borrowings, was moved from cash flow from operating activities to cash flow from financing activities. This was also done to improve general presentation and transparency. The previous year's figures were adjusted accordingly in both cases.

Refer to the consolidated cash flow statement for information regarding the change to liabilities from financing activities based on cash flows. The Group also reported unrealized currency gains in the amount of EUR 1.6 million for fiscal 2017. No other matters have come to the Group's attention that would lead to a change in liabilities from financing activities.

31 – Risk management

Capital management

A key aim of the Group's capital management policy is to maintain a high equity ratio to support its business activities.

The Group actively controls and modifies its capital structure in line with changing market dynamics. The goal of the capital management policy is to secure the Group's business and investment activities in the long term. To maintain a suitable capital structure, the Group can propose changes to dividend payments to shareholders or issue new shares. As of December 31, 2017 and December 31, 2016 respectively, no changes were made to objectives, guidelines or procedures within the framework of the capital structure control policy. The Group monitors its capital using net financial debt resulting from current net financial liabilities and non-current financial liabilities as an indicator.

The minimum capital requirements for equity stipulated under German stock legislation have been fulfilled. Equity is subject to an external minimum capital requirement of 30 percent due to the Schuldschein loan agreement in the amount of EUR 30.0 million, which is due for repayment in February 2019. For further information, please refer to item 21 "Financial liabilities" in these Notes.

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Current financial liabilities	20.3	193.4
Short-term financial liabilities	20.3	190.5
Current portion of long-term financial liabilities	–	2.9
Non-current financial liabilities	154.9	30.0
Total equity before minority interests	1,114.8	1,087.2
Total capitalization	**1,290.0**	**1,310.6**

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Current net financial liabilities	**-7.0**	**175.8**
Short-term liabilities	20.3	193.4
plus liquid funds	-27.3	-17.6
Net financial debt	**147.9**	**205.8**
Current net financial liabilities	-7.0	175.8
plus non-current financial liabilities	154.9	30.0

Financial risk factors

Due to the global scope of its operations, the Group is exposed to various financial risks, including foreign currency risks, credit risks, liquidity risks and interest rate risks. The comprehensive risk management policy of the Group is focused on the unpredictability of developments in financial markets and aims to minimize any potential negative impact on the Group's financial position. It is a general policy of the company to reduce these risks by systematic financial management. In particular, the Group employs selective derivative financial instruments to hedge against certain risks.

The Group finance department is responsible for risk management in accordance with the rules and guidelines approved by the Executive Board. It identifies, evaluates and hedges against financial risks in close cooperation with the operating units of the Group. The Executive Board sets guidelines for risk management as well as fixed policies for specific areas of risk. These include dealing with foreign currency risks, interest rate risks and credit risks.

The guidelines also specify how derivative and other financial instruments and liquidity surpluses are to be used.

Currency risks

Currency risks arise from expected future transactions, assets and liabilities reported in the balance sheet, as well as from net investments in a currency that diverges from the functional currency. Exchange risks are naturally hedged by offsetting receivables against payables in a given currency.

If the USD/EUR exchange rate increased or decreased by 5 percent, changes in the financial assets and liabilities reported in the balance sheet in US dollars would have the following impact on profit before tax and equity:

	2017	2016
USD currency trends as a %	+5.00/-5.00	+5.00/-5.00
Impact on profit before tax (EBT) in € K	0.8/-1.1	0.5/-0.7
Impact on equity in € K	-1.6/1.6	0.5/-0.7

Group profit was hardly affected by significant exchange rate fluctuations relevant to the international flow of goods due to natural currency hedging, primarily with regard to the euro/US dollar. In 2017, the average EUR/USD exchange rate was EUR 1 to USD 1.13 (previous year: EUR 1 to USD 1.11).

The Group is also subject to currency risks from individual transactions resulting from purchases and sales executed by a Group member in a currency other than the functional currency.

Credit risks

The Group is not exposed to any material credit risks (default risks). Contracts for derivative financial instruments and financial transactions are concluded only with financial institutions with a high credit rating in order to keep the risk of default by the contracting party as low as possible. The book value of financial assets recognized in the Consolidated Financial Statements represents the maximum default risk. For further information on the book value of financial assets, please refer to item 27 "Additional information on financial instruments" in these Notes.

Continued weakness on construction and financial markets in some countries may present certain Group customers with financial difficulties, possibly culminating in insolvency. This would lead to a rise in accounts receivable and a subsequent increased risk of default. The Group is counteracting the risk of changes in individual customers' payment patterns through its active accounts receivable management policy, partner "health checks" and tools such as credit hedging.

Interest rate risks

Interest rate risks are caused by market fluctuations in interest rates. On the one hand, they impact the amount of interest payments for which the Group is liable. On the other hand, they influence the fair value of financial instruments.

The following balance sheet items include variable-interest cash and cash equivalents, and liabilities which are subject to interest rate risks.

IN € MILLION

	Dec. 31, 2017	Dec. 31, 2016
Cash and cash equivalents	27.3	17.6
Long-term borrowings	154.9	30.0
Short-term borrowings	20.3	190.5
Current portion of long-term borrowings	–	2.9
	202.5	**241.0**

The following table shows how changes in interest rates that could be reasonably expected would impact the Group's earnings before tax based on the impact this would have on variable interest rate loans and balances.

The fixed-interest Schuldschein loan agreement was not included when calculating the impact on earnings. For more information, see item 21 "Financial liabilities" in these Notes.

The effects on Group earnings before tax also reflect the impact on equity.

IN € MILLION

	2017	2016
Increase in interest rates of 0.2%	-0.4	-0.5
Decrease in interest rates of 0.2%	0.4	0.5

Liquidity risks

Liquidity risks involve the availability of funds needed to meet payment obligations on time. The company is assured of a supply of liquid funds at all times by the lines of credit it is not currently using. Liquidity is managed by the Group's treasury department via a Group-wide cash pool system. Please refer to item 21 "Financial liabilities" in these Notes for further information, also on existing credit lines and financial covenants.

32 – Executive bodies

Executive Board

In the year under review, the Executive Board comprised the following three/four members:

- Cem Peksaglam, CEO, responsible for Group strategy, mergers and acquisitions, investor relations and corporate communication, legal matters, real estate, HR, compliance, and sustainability (until August 31, 2017)
- Martin Lehner, CEO (from September 1, 2017), responsible for procurement, production, technology, quality, strategy, investor relations, corporate communication, sustainability, compliance, HR and legal matters
- Wilfried Trepels, responsible for finance, IT, auditing and real estate
- Jan Willem Jongert, responsible for sales, logistics, service and marketing (until January 9, 2017)
- Alexander Greschner, responsible for sales, logistics, service and marketing (from January 10, 2017)

The members of the Executive Board do not have any additional Supervisory Board positions or seats on comparable supervisory committees for German or foreign commercial companies outside of the Wacker Neuson Group.

Supervisory Board

The following are members of the Supervisory Board of Wacker Neuson SE or were Supervisory Board members during the year under review:

- Johann Neunteufel, engineer, Chairman of the PIN Private Trust (PIN Privatstiftung), Linz, Austria; Chairman of the Supervisory Board
- Hans Haßlach, Chairman of the Kramer-Werke GmbH Works Council (until January 31, 2017), Deputy Chairman of the Group Works Council (until January 31, 2017), Deputy Chairman of the SE Works Council (until January 31, 2017), Uhldingen-Mühlhofen, Germany (until June 11, 2017)
- Christian Kekelj, Chairman of the Central Works Council, Chairman of the Munich Works Council, Oberschleißheim, Germany (since June 12, 2017)
- Kurt Helletzgruber, Board member of the PIN PrivateTrust (PIN Privatstiftung), Linz, Austria
- Prof. Dr. Matthias Schüppen, attorney at law, auditor, tax adviser and partner at the Graf Kanitz, Schüppen & Partner law firm, Stuttgart, Germany
- Elvis Schwarzmair, Chairman of the Reichertshofen Works Council, Chairman of the Group Works Council and SE Works Council, Rohrbach, Germany
- Ralph Wacker, civil engineer and managing partner of wacker+mattner GmbH, Munich, Germany; Deputy Chairman of the Supervisory Board

In accordance with the Articles of Incorporation, the terms of office of the Supervisory Board members listed above will run until the close of the AGM that tables a resolution to formally approve the actions taken by Wacker Neuson SE in fiscal 2019. The terms may be no longer than six years.

The following members of the Supervisory Board have additional supervisory board positions or seats on comparable supervisory committees for German or foreign companies:

- Johann Neunteufel
  Chairman of the Supervisory Board of Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz, Austria
- Prof. Dr. Matthias Schüppen
  Chairman of the Supervisory Board of ACCERA AG, Mannheim, Germany

For information on the remuneration of the Executive Board and Supervisory Board, as well as remuneration of former Board members, please refer to item 33 “Related party disclosures” in these Notes.

33 – Related party disclosures

For the Group, related party disclosures within the meaning of IAS 24 generally refers to shareholders and entities over which shareholders have control or significant influence (sister companies, members of the Executive Board and members of the Supervisory Board).

Key trade relations with related parties during the period under review were as follows:

IN € MILLION

	Current receivables Dec. 31, 2017	Current payables Dec. 31, 2017	Expenses for business transactions 2017	Income for business transactions 2017
Relations with shareholders	–	–	0.6	0.7
Relations with sister companies	–	–	0.7	0.2
Total	**–**	**–**	**1.3**	**0.9**

IN € MILLION

	Current receivables Dec. 31, 2016	Current payables Dec. 31, 2016	Expenses for business transactions 2016	Income for business transactions 2016
Relations with shareholders	0.2	0.2	0.5	0.7
Relations with sister companies	0.2	–	0.7	0.4
Total	**0.4**	**0.2**	**1.2**	**1.1**

Relations with shareholders resulted mainly from goods and services traded with a shareholder; namely Wacker Werke GmbH, a competence center for concrete compaction. The goods and services delivered to this shareholder were valued at EUR 0.6 million (previous year: EUR 0.7 million). These were counterbalanced with goods and services received from the shareholder to the value of EUR 0.7 million (previous year: EUR 0.5 million). The goods and services were traded under the terms customary in the market, as agreed with third parties.

Relations with sister companies and entities over which shareholders have control or significant influence resulted mainly from deliveries and rental arrangements between affiliates and entities over which shareholders have control or significant influence. The goods and services were traded under the terms customary in the market, as agreed with third parties.

Total remuneration for the Executive Board in the fiscal year under review amounted to EUR 4.7 million (previous year: EUR 3.5 million). This includes one-off effects in the amount of EUR 0.4 million for reorganization of the Executive Board. Furthermore, post-employment benefits and termination benefits were paid to former Executive Board members in the amount of EUR 2.7 million.Total remuneration for the Supervisory Board in the year under review amounted to EUR 0.5 million (previous year: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed in line with Section 286 (5) sentence 1, Section 314 (3) sentence 1 and Section 315a (1) HGB to refrain from itemizing this information in accordance with Section 285 no. 9a sentences 5-8 and Section 314 (1) no. 6a sentences 5-8 HGB in conjunction with Section 315a (1) HGB. At the closing date, short-term payables to the Executive Board were outstanding in the amount of EUR 2.1 million (previous year: EUR 1.6 million), as well as other long-term payables in the amount of EUR 0.5 million.

Retirement commitments were agreed upon for members of the Executive Board. The value of pension obligations at the end of the fiscal year amounted to EUR 5.5 million (previous year: EUR 4.5 million). The increase in the present value of pension obligations (addition) amounted to EUR 1.0 million (previous year: allocation of EUR 0.1 million). The present value of pension obligations corresponds to obligations before netting with plan assets and before any possible actuarial gains or losses that have not yet been recognized. For more detailed information, please refer to item 19 "Provisions for pensions and similar obligations" in these Notes.

Pension agreements are also in place for former members of the Executive Board. The value of these pension obligations at the end of the fiscal year came to EUR 34.0 million (previous year: EUR 33.9

million). In the period under review, a total of EUR 1.1 million (previous year: EUR 0.9 million was paid to former Executive Board members.

34 – Auditor's fee

The fee for the auditor and associated companies is disclosed as an expense in fiscal 2017 and is broken down as follows:

IN € MILLION

	2017 Auditor and associated companies	2017 Of which auditor	2016 Auditor and associated companies	2016 Of which auditor
Auditing services	1.2	0.5	1.3	0.5
Other approval and assessment services	-	-	-	-
Tax consultation services	0.3	0.2	0.6	0.4
Other services	–	–	–	–

35 – Declaration regarding the German Corporate Governance Code

The Executive Board and Supervisory Board have issued a declaration stating which recommendations of the Government Commission on the German Corporate Governance Code have been and are being adopted. The declaration can be downloaded at any time from the Group website at → www.wackerneusongroup.com.

36 – Availing of exemption provisions according to Section 264 (3) and/or Section 264b HGB

The following fully consolidated domestic affiliates avail of the exemptions set down in Section 264 (3) HGB and/or Section 264b HGB for fiscal 2017:

Company Name	City
Kramer-Werke GmbH	Pfullendorf
Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf
Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen
Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich
Wacker Neuson Vertrieb Europa GmbH & Co. KG	Munic
Weidemann GmbH	Diemelsee-Flechtdorf
Wacker Neuson Immobilien GmbH	Überlingen
Wacker Neuson Grundbesitz Gutmadingen GmbH & Co. KG (vormals: PADEM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gutmadingen KG	Pfullendorf (formerly: Überlingen)

Munich, March 19, 2018

Wacker Neuson SE

The Executive Board

Martin Lehner
CEO

Wilfried Trepels
CFO

Alexander Greschner
CSO

Responsibility Statement by Management

“To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Wacker Neuson Group, and that the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Wacker Neuson Group respectively the parent company Wacker Neuson SE, together with a description of the principal opportunities and risks associated with the expected development of the Wacker Neuson Group respectively the parent company Wacker Neuson SE.”

Munich, March 19, 2018

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

Report on the audit of the Consolidated Financial Statements and Group Management Report

Audit opinion

We have audited the Consolidated Financial Statements of Wacker Neuson SE, Munich, Germany, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from January 1, 2017 through December 31, 2017, the consolidated balance sheet as at December 31, 2017, and the consolidated statement of changes in equity, consolidated cash flow statement and consolidated segmentation for the fiscal year from January 1, 2017 through December 31, 2017, along with the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. We also audited the Group Management Report of Wacker Neuson SE, which has been consolidated with the Management Report of Wacker Neuson SE, for the fiscal year from January 1, 2017 through December 31, 2017.

In our opinion, based on the findings of our audit:

- The accompanying Consolidated Financial Statements comply in all material respects with the International Financial Reporting Standards (IFRS) as adopted by the EU, and with the additional requirements under German law pursuant to Section 315e (1) of the German Commercial Code (HGB). In accordance with these requirements, the Consolidated Financial Statements give a true and fair view of the net assets and financial position of the Group as at December 31, 2017, as well as of the results of its operations for the fiscal year from January 1, 2017 through December 31, 2017.

- The accompanying Group Management Report as a whole provides a suitable view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and suitably presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations regarding the Consolidated Financial Statements or the Group Management Report.

Basis for audit opinion

We conducted our audit of the Consolidated Financial Statements and Group Management Report in accordance with Section 317 HGB and with EU Regulation no. 537/2014 (hereinafter "EU Audit Regulation"), in compliance with the generally accepted German standards for the audit of financial statements promulgated by Germany's Institut der Wirtschaftsprüfer (Institute of Public Auditors; IDW). Our responsibilities under these regulations and standards are further described in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and Group Management Report" section of our auditor's report. We are independent of Group companies in accordance with European legislation and German commercial and professional regulations and we have fulfilled our other German auditing responsibilities in line with these requirements. Pursuant to Article 10 (2) (f) of the EU Audit Regulation, we additionally declare that we have provided no prohibited non-audit services under Article 5 (1), EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Consolidated Financial Statements and on the Group Management Report.

Key audit matters relating to the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the fiscal year from January 1, 2017 through December 31, 2017. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following is a description of the key audit matters in our view:

1. Revenue recognition and deferral

Reasons for identification as key audit matter
The Group generates revenue from the sale of light and compact construction equipment, including used equipment, from equipment rentals within Europe and from the supply of spare parts and repair services. Distribution takes place either in the form of direct sales or through sales partners, in particular dealers, rental companies and strategic partners with whom cooperation agreements are established. Due to the wide range of products and diverse sales channels and service offerings, including a variety of guarantee periods, customer financing and customer bonus models, there is a risk of inaccurately recognized revenue in relation to the amount of sales revenue recorded and time of recognition. Sales revenue is also a key performance indicator. Against this backdrop, revenue recognition and deferral was one of the most significant matters within our audit.

Auditing procedure
We assessed whether the Group's accounting policies with regard to revenue recognition and deferral provide a suitable basis for preparing the Consolidated Financial Statements in compliance with IFRS principles. We examined the revenue recognition and deferral processes and tested the effectiveness of the implemented controls in terms of accurate revenue recognition and deferral. We performed analytical audit procedures, in particular a comparison of monthly sales revenue and gross margins with figures from the corresponding periods of the previous year. To assess revenue recognition and deferrals appropriate to the period under review, we compared sales revenues recorded during the year and at year-end with invoices and delivery documents on a sample basis. Our audit procedures did not lead to any reservations regarding revenue recognition or deferral.

Reference to related information
With regard to the accounting and valuation principles applied to revenue recognition and deferral, we refer to the information provided within the Notes to the Consolidated Financial Statements in the section "Accounting and valuation methods – realization of revenue, income and expenses" as well as to item 1, "Revenue".

2. Inventory write-downs

Reasons for identification as key audit matter
The Group's inventories comprise raw materials and supplies, work in process and finished products, and used equipment and spare parts. The value impairment for each inventory category is estimated based on the age structure of the inventories, as well as on historical experience and information and on expected future market demand and market prices. Given the relevance of inventories to the Consolidated Financial Statements, the range of inventory categories and the scope for discretion with regard to valuation, impairment losses on inventories constituted a key audit matter.

Auditing procedure
We examined the process and controls in place for determining value impairment along with the underlying methods and assumptions. We performed analytical audit procedures, in particular comparing inventories and impairment losses with those of the previous year, with the average inventory turnover rate and with the ratio of impairment losses to inventories. We also tested the process used to determine value impairment for completeness by conducting a comparison with stock lists. We reconciled the underlying historical experience and information with prior-year data and outgoing invoices. We assessed impairment losses recognized for consistency with historical experience and information and with expected future market demand. We compared the findings from our inventory observations regarding potentially obsolete inventories with the impairment losses recognized. Our audit procedures did not lead to any reservations regarding impairment losses on inventory.

Reference to related information
With regard to the accounting and valuation principles applied to impairment losses on inventory, we refer to the information provided within the Notes to the Consolidated Financial Statements in the section "Accounting and valuation methods – inventories" as well as to item 13, "Inventories".

3. Recognition and measurement of uncertain tax positions

Reasons for identification as key audit matter
The recognition and measurement of uncertain tax positions was one of the most significant matters within our audit, as it requires a high degree of discretionary decisions, estimates and assumptions on the part of Management.

Auditing procedure
In collaboration with internal tax specialists, we examined the processes and internal controls in place for identifying, recognizing and measuring the Group's tax positions. Within the scope of our audit procedures with regard to uncertain tax positions, we assessed whether Management's evaluation of the tax effects of significant business transactions that might result in uncertain tax positions or have an impact on the recognition and measurement of existing uncertain tax positions is in accordance with tax law and the applicable jurisdiction. In order to assess the recognition and measurement of uncertain tax positions, we also considered the opinions of external experts on individual matters. Our audit procedures did not lead to any reservations regarding the recognition and measurement of uncertain tax positions.

Reference to related information
With regard to the accounting and valuation principles applied to the recognition and measurement of uncertain tax positions, we refer to the information provided within the Notes to the Consolidated Financial Statements in the section "Accounting and valuation methods – deferred tax expense" and under "Taxes on income and earnings" in the section "Material discretionary powers, estimates and assumptions" as well as to item 6, "Taxes on income" and item 23, "Other current liabilities".

Other information
The Supervisory Board is responsible for the Supervisory Board report. Management is otherwise responsible for the rest of the other information. The other information consists of the following elements intended for the Annual Report: "Figures at a glance", "To our shareholders", "Our share in 2017", declaration on corporate governance, corporate governance report, ten-year comparison, responsibility statement by Management and report by the Supervisory Board. We received a copy of this other information before issuing this audit report.

Our opinion on the Consolidated Financial Statements and on the Group Management Report does not cover the other information. Accordingly, we do not express an opinion or give any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information:

- Is materially inconsistent with the Consolidated Financial Statements, with the Group Management Report or with our knowledge obtained during the audit

- Otherwise appears to be materially misstated

Management and Supervisory Board responsibilities for the Consolidated Financial Statements and Group Management Report

Management is responsible for the preparation of the Consolidated Financial Statements in accordance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB in all material respects and for ensuring that the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Additionally, Management is responsible for the internal controls it has determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, Management is responsible for assessing the Group’s ability to continue as a going concern. It also has a responsibility to disclose, as applicable, matters related to the Group’s ability to continue as a going concern. It is Management’s responsibility to apply the going concern basis of accounting unless Management intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Furthermore, Management is responsible for the preparation of a Group Management Report that as a whole provides a suitable view of the Group’s position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Management is also responsible for the provisions and measures (systems) it has deemed necessary to enable the preparation of a Group Management Report in accordance with the applicable requirements under German law and to ensure sufficient appropriate evidence can be supplied for the statements contained in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group’s financial reporting process for the preparation of the Consolidated Financial Statements and Group Management Report.

Auditor’s responsibilities for the audit of the Consolidated Financial Statements and Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, either due to fraud or error, and whether the Group Management Report as a whole provides a suitable view of the Group’s position and is, in all material respects, consistent with the Consolidated Financial Statements and with the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development; as well as to issue an auditor’s report that includes our opinion on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and with the EU Audit Regulation, in compliance with the generally accepted German standards for the audit of financial statements promulgated by the IDW, will always detect a material misstatement if it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the financial decisions of the target audience taken on the basis of these Consolidated Financial Statements or Group Management Report.

We exercise due professional judgment and discretion, and maintain an appropriate level of professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement – whether due to fraud or error – in Consolidated Financial Statements and Group Management Report, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of the internal control system relevant to auditing the Consolidated Financial Statements and of the provisions and measures relevant to auditing the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management’s application of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the Consolidated Financial Statements and Group Management Report or, if such disclosures are inadequate, to modify our relevant audit opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and determine whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of operations of the Group in accordance with IFRS as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial accounting information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.

- Evaluate alignment between the Group Management Report and the Consolidated Financial Statements, as well as its compliance with legislation and its presentation of the Group's situation.

- Perform audit procedures in relation to the forward-looking statements expressed by Management in the Group Management Report. In particular, based on sufficient appropriate audit evidence, we trace the significant assumptions underlying the forward-looking statements by Management and evaluate the appropriate derivation of the forward-looking statements from these assumptions. However, we do not provide a separate audit opinion on the forward-looking statements or underlying assumptions. There remains a significant and unavoidable risk that future events may differ materially from the forward-looking statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant requirements regarding independence, and discuss with them all relationships and other matters that may reasonably be thought have an impact on our independence, along with any related safeguards in this respect.

From the matters discussed with those charged with governance, we determine those matters that were of most significance in auditing the Consolidated Financial Statements for the current reporting period and therefore constitute key audit matters. We describe these matters in our auditor's report unless laws or other regulations preclude public disclosure of the matter in question.

Other legal and regulatory requirements

Further disclosures under Article 10, EU Audit Regulation
We were elected as the official auditor of the Group by the Annual General Meeting on May 30, 2017. We were appointed by the Supervisory Board on May 30, 2017. We have been engaged as the official auditor for Wacker Neuson SE and the Group since fiscal 2012 without interruption.

We declare that the opinions contained in this auditor's report are consistent with the additional report to the Audit Committee under Article 11, EU Audit Regulation (auditor's report).

In addition to auditing the financial statements for the Group companies, we performed the following services not disclosed in the Consolidated Financial Statements or Group Management Report: voluntary auditing of financial statements as well as other confirmation services in connection with the review of the non-financial Group statement.

Responsible auditor

The public auditor responsible for this audit is Peter von Wachter.

Munich, March 19, 2018

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Keller	von Wachter
Wirtschaftsprüfer (Public Auditor)	Wirtschaftsprüfer (Public Auditor)

Technical Glossary

C

Compact equipment
Group's strategic business segment. Compact equipment covers machinery weighing up to 15 tons, particularly wheel loaders and telescopic wheel loaders, skid-steer loaders, four-wheel and track dumpers, telescopic handlers as well as mobile and compact excavators.

Compaction
Group's business field in the light equipment segment. Equipment in this field is used for compacting soil and asphalt during the construction of trenches, roads, paths, foundations and industrial buildings. It includes products such as rammers, vibratory plates and rollers.

Concrete technology
Group's business field in the light equipment segment. The equipment is used to compact concrete when laying concrete walls, ceilings and floors and includes internal and external vibrators as well as trowels for applying a smooth finish to concrete surfaces.

D

dual power
This dual drive system for compact excavators enables conventional diesel-powered excavators to be operated in zero-emissions mode simply by connecting an external electro-hydraulic unit to the excavator's undercarriage.

Dumpers
Track- or wheel-based machines in the compact equipment segment primarily used for transporting backfill material.

E

ECO
Seal awarded by Wacker Neuson to products and solutions that are particularly environmentally friendly (ECOlogy) and cost efficient (ECOnomy).

H

Heavy equipment
Large construction machinery defined by the company as having a total weight of over fifteen tons, typically transported to construction sites for specific projects and operated by specially trained users.

Hoftrac®
Compact wheel loaders made primarily for stable/barn and yard work in the agricultural sector. Their compact footprint makes them highly maneuverable and ideal for indoor work. Hoftrac® loaders are significantly narrower and more compact than conventional wheel loaders and have a smaller turning radius.

Hydronic heaters
Mobile heating equipment to thaw frozen ground, heat buildings and cure concrete at sub-zero conditions, making construction work less dependent on weather conditions (for example in regions with long winters such as Canada, Alaska, Russia and Scandinavia).

I

Internal vibrators
Used for concrete compaction, mainly on construction sites. These vibrators comprise eccentric weights driven by an electrical motor, which are encased in a water-tight steel tube so that they can be submerged in fresh concrete.

L

Light equipment
Group's strategic business segment. It covers predominantly hand-held, remote control or ride-on equipment weighing up to 3 tons in the strategic business fields of concrete technology, compaction and worksite technology.

R

Rammers
First developed in the 1930s by the Wacker Neuson, this pioneering product is used in soil and asphalt compaction, particularly in small spaces and even narrow trenches.

S

Skid steer loaders
Small loaders with four wheel drive steering or rubber tracks. They offer excellent maneuverability thanks to their skid steering system. They can also be equipped with a wide range of attachments, making them a flexible option for a wide range of jobs.

T

Telescopic handlers
Like wheel loaders, these compact machines are ideal for the construction and agricultural sectors. Telescopic handlers, however, feature a detached cabin and support very high lifting heights despite their compact dimensions. The telescopic arm on the tail provides these machines with a strong lever effect.

Trowels
Trowels are used to smooth concrete surfaces, in particular freshly poured concrete, for example, in industrial buildings.

V

Vibratory plate
Soil and asphalt compaction devices, mainly used to precompact foundation soil and compact paving stones. They travel forwards and backwards, and can also be equipped with remote control technology.

W

Wheel loaders
Articulated and all-wheel drive wheel loaders are extreme versatile machines. Thanks to a broad range of attachments and technologies, they are the perfect choice for a host of jobs, including transporting and stacking material.

Worksite technology
Group’s business field in the light equipment segment. Equipment in this field is used for compacting soil and asphalt during the construction of trenches, roads, paths, foundations and industrial buildings. It includes products such as rammers, vibratory plates and rollers.

Z

Zero emissions
A range of electrically powered light and compact equipment ideal in particular for use on indoor construction sites and in areas sensitive to noise and emissions – such as residential zones, schools or hospitals. Zero emissions products are particularly effective at protecting both users and the environment.

Zero-tail excavators
The housing of zero-tail excavators does not protrude over the tracks when the superstructure rotates (360°). Zero-tail excavators can be used directly next to walls as they will not cause any damage when rotating.

Financial Glossary

C

Capital employed
Invested capital: Capital employed represents the interest-bearing capital tied up in and required by the Group to function.

Cash flow
Refers to a company's ability to finance itself, calculated by the excess of cash revenues over cash -outlays in a given period of time (not including non-cash expenses/income).

Cash flow from financing activities
Cash balance resulting from changes to financial liabilities, the issue of shares, cash inflow from disposal of treasury shares/cash outflow from the acquisition of treasury shares and dividend payments.

Cash flow from investment activities
Cash balance resulting from the acquisition of financial, tangible or intangible assets and the disposal of financial, tangible or intangible assets.

Cash flow from operating activities
Cash flow generated from operating activities.

Corporate governance
Sound and responsible management and control of a company with the aim of creating long-term value.

D

Deferred taxes
Differences between the tax base and the carrying amounts in the IFRS accounts in order to disclose tax expense and tax entitlement (actual and deferred) according to IFRS.

Derivatives
Financial instruments, such as futures and options, that derive their value from the value of other financial instruments or an underlying asset.

Discounted cash flow (DCF) method
Valuation method used to estimate the market value by discounting a company's future cash flows to their present value.

E

EBIT (margin)
The earnings before interest and taxes (EBIT) margin is the ratio of EBIT to revenue.

EBITDA (margin)
Earnings before interest, taxes, depreciation and amortization (EBITDA) indicate a company's operational profitability. The EBITDA margin is the ratio of EBITDA to revenue.

EBT
Earnings before taxes.

Equity ratio
Ratio of equity before minority interests to total capital; indicates the financial stability of a company.

Earnings per share (EPS)
EPS is defined as Group net profit for the year divided by the number of shares.

F

Free cash flow
Free cash flow refers to the amount of cash readily available to a company.

G

Gearing
Net financial debt as a percentage of equity.

Goodwill
When a company purchases another company for a price that is higher than the fair value (book value) of all assets and liabilities, the difference is recorded as goodwill.

Gross profit margin
Gross profit margin is a measure of operational efficiency, expressing the relationship between gross profit and sales revenue or the percentage by which sales exceed cost of sales.

H

Hedge
Provides protection against risks arising from unfavorable exchange rate fluctuations and changes to raw materials and other prices.

I

Impairment test
Intangible assets are subject to an annual impairment test. This involves comparing the book value with the fair value less costs to sell. The fair value less costs to sell is calculated using the discounted cash flow method. Future cash flows are discounted to the respective reporting date. The asset is deemed impaired if the fair value less costs to sell is lower than the carry value.

IFRS (IAS)
Internationally recognized and applied accounting standards devised by the International Accounting Standards Board (IASB) in an effort to harmonize accounting standards and principles worldwide.

K

Key Performance Indicators (KPI)
KPIs are used to define company targets and measure the extent to which a company is achieving its goals.

N

Net working capital
The difference between a company's current (i.e. within a year) liquid assets and current liabilities. It is thus the part of current assets that is not reserved to meet short-term borrowings and can therefore be used in procurement, production and sales processes.
Net working capital = total inventory plus trade receivables minus trade payables.

Net working capital to revenue
Return on capital employed to generate revenue.
(Average) net working capital to revenue = relationship between (average) net working capital and revenue.
The average is calculated by adding the opening and closing balances, and dividing this figure by two.

NOPLAT
Net operating profit less adjusted taxes (NOPLAT) refers to earnings before interest and taxes (EBIT) minus adjusted taxes. NOPLAT shows the annual profit a company would achieve if it were financed purely from equity.
NOPLAT = EBIT less (EBIT x corporate tax ratio)

P

Peer group
Companies active in the same or similar branch or industry.

R

Return on sales (ROS)
The ratio between profit for the period after minority interests and revenue.

ROCE I (Return on Capital Employed)
ROCE I indicates the efficiency and profit generating ability of capital expenditure (before tax) within a company.
ROCE I = EBIT ratio in relation to average capital employed as a %

ROCE II (Return on Capital Employed)
ROCE II shows how much return a company realizes on the capital it invests after tax.
ROCE II = NOPLAT in relation to average capital employed as a %

Return on equity (ROE)
The indicator measures the return a company is getting on its equity. It shows the relation between profit for the period (after tax and after minority interests) and equity employed before minority interests.
ROE = Profit for the period (after tax and after minority interests) in relation to average equity before minority interests as a %

S

Schuldschein loan agreement
Schuldschein loan agreements ("Schuldscheindarlehen") are bilateral loan agreements unique to the German market. They represent a source of capital market financing similar to bond or syndicated loan financing for issuers with long-term funding needs. Schuldschein loan agreements are typically senior unsecured instruments that pay a fixed or a variable coupon. Unlike bonds, Schuldschein loans are not securities but bilateral, unregistered, (usually) unrated and unlisted loan agreements sold directly to institutional investors. Schuldschein loans are not exchange traded.

Swap
An agreement between two parties to exchange cash flows at a future point in time. The agreement also defines how the payments are calculated and when they are to be made.

W

Write-down
Scheduled or one-off write-downs indicating the impairment of an asset. The impairment test in fiscal 2009 resulted in the write-own of goodwill attributable to the Neuson Kramer subgroup in the amount of EUR K 89,540 and a write-down in the amount of EUR K 10,798 attributable to the Neuson brand – a constituent part of the Wacker Neuson name (total impairment losses of EUR 100.3 million). This one-off, non-cash write-down was reflected in the in-come statement. The portion of the write-down attributable to brand impairment was reversed in fiscal 2011.

Write-up

This involves making an upward adjustment to the carrying value of an asset. If the impairment test reveals that the reasons for the write-down of an asset in a previous accounting period no longer prevail, IAS 36 provides for the reversal of impairment up to the maximum amount of the historic cost under other intangible assets (brands, technologies, customer pool). This reversal is recognized in the income statement. IAS 36 specifically prohibits the reversal of impairment losses for goodwill.

10-Year Comparison

IN € MILLION

	2017	2016	2015	2014	2013	2012
Revenue	1,533.9	1,361.4	1,375.3	1,284.3	1,159.5	1,091.7
Revenue Europe	1,129.8	1,020.7	979.3	921.7	826.2	776.4
Revenue Americas	357.5	291.9	348.5	323.7	297.2	276.2
Revenue Asia-Pacific	46.6	48.9	47.5	38.9	36.1	39.1
EBITDA	207.2	158.1	170.1	190.5	153.4	141.7
Depreciation and amortization[1]	43.2	40.7	38.8	34.2	34.2	56.8
Of which one-off impairment write-ups/write-downs from impairment	–	–	–	–	–	-0.8
EBIT[2]	131.4	88.8	102.4	130.4	94.7	84.9
EBT	125.4	81.4	97.5	130.1	88.0	77.8
Profit	87.5	57.2	66.7	92.1	61.5	54.7
Number of employees (without temporary workers)	5,064	4,792	4,632	4,372	4,157	4,096
R&D ratio (incl. capitalized expenses) as a %	3.2	3.5	3.2	3.2	3.1	3.1
Share						
Earnings per share in €	1.25	0.81	0.94	1.30	0.87	0.77
Dividend per share in €[3]	0.60	0.50	0.50	0.50	0.40	0.30
Book value at Dec. 31 in €	15.89	15.50	15.17	14.42	13.34	13.04
Closing price at Dec. 31 in €	30.08	15.42	14.23	16.96	11.49	10.35
Market capitalization at Dec. 31	2,109.5	1,081.6	998.1	1,189.2	805.6	725.9
Key profit figures						
Gross profit margin as a %[4]	28.5	27.6	28.0	29.7	30.4	30.4
EBITDA margin as a %	13.5	11.6	12.4	14.8	13.2	13.0
EBIT margin as a %	8.6	6.5	7.4	10.2	8.2	7.8
Net return on sales (ROS) as a %	5.7	4.2	4.8	7.2	5.3	5.0
Key figures from the balance sheet						
Balance sheet total	1,615.9	1,580.8	1,552.2	1,447.6	1,322.4	1,344.8
Equity	1,114.8	1,092.5	1,069.1	1,016.2	939.3	918.2
Equity ratio as a %	69.0	69.1	68.9	70.2	71.0	68.3
Return on equity (ROE) as a %	7.9	5.3	6.4	9.4	6.6	6.1
Net financial debt	148.0	205.8	199.1	179.5	177.2	214.2
Net financial debt/EBITDA	0.7	1.3	1.2	0.9	1.2	1.5
Gearing as a %	13.3	18.8	18.6	17.7	18.9	23.3
Net working capital	538.5	569.3	574.5	532.2	453.1	456.8
Average net working capital as a % of revenue	36.1	42.0	40.2	38.4	39.2	37.9
Average capital employed[5]	1,333.8	1,343.1	1,289.9	1,207.5	1,016.0	793.6
ROCE I as a %[5]	9.9	6.6	7.9	10.8	9.3	10.8
ROCE II as a %[5]	6.9	4.6	5.4	7.6	6.5	7.6
Cash flow[6]						
Cash flow from operating activities	138.0	79.4	78.5	63.5	85.4	13.6
Cash flow from investment activities	-39.0	-44.0	-54.8	-36.0	-23.8	-99.9
Investments[1]	-47.4	-48.5	-60.0	-41.0	-34.7	-104.0
Cash flow from financing activities	-88.2	-42.8	-12.5	-29.0	-63.8	88.8
Free cash flow	99.0	35.4	23.7	27.5	61.6	-86.3

[1] Based on property, plant and equipment and intangible assets, the Group's own rental equipment is not included here. Values since 2013 have been adjusted accordingly.
[2] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017 (previously recognized under cost of
[3] The Dividend proposal for the AGM on May 30, 2018 will be EUR 0.60.
[4] Since 2010, expenses for service technicians are reported in the income statement under cost of sales (instead of sales and service expenses).
[5] Goodwill is also included in capital employed as of fiscal 2017. Values since 2013 have been adjusted accordingly.
[6] Some items in the consolidated cash flow statement have been adapted compared with previous years. Values since 2013 have been adjusted accordingly. Please refer to item 30 in the Notes for further information.

2011	2010	2009	2008
991.6	757.9	597.0	870.3
723.9	558.6	465.7	676.2
231.0	168.1	103.1	166.9
36.7	31.2	28.2	27.2
162.6	77.8	27.2	100.9
38.8	41.1	140.3	43.0
10.8	–	-100.3	–
123.8	36.7	-113.1	58.0
120.3	32.7	-115.6	55.7
86.4	24.6	-109.9	38.1
3,514	3,142	3,059	3,665
3.1	3.3	4.0	3.0
1.22	0.34	-1.57	0.53
0.50	0.17	–	0.19
12.84	11.84	11.25	12.96
9.55	13.00	8.20	6.19
669.8	911.8	575.1	434.2
32.6	31.6	30.8	33.7
16.4	10.3	4.6	11.6
12.5	4.8	-18.9	6.7
8.7	3.2	-18.4	4.4
1,214.3	1,030.2	971.7	1,178.6
904.0	833.0	791.5	911.8
74.4	80.9	81.5	77.4
9.0	3.0	-1.5	4.2
90.4	13.7	-24.9	59.0
0.6	0.2	-0.9	0.6
10.0	1.6	-3.1	6.5
370.5	269.3	217.9	303.9
32.2	32.1	43.7	33.1
646.9	531.3	538.9	537.4
17.5	6.9	-2,4	10.8
12.5	5.2	-1,9	7.4
43.6	44.9	138.3	38.1
-105.5	-85.2	-38.1	-16.4
-114.0	-85.0	-43.4	-101.8
42.6	-10.3	-53.0	-21.9
-61.9	-38.8	100.6	23.4

sales as well as other income and/or other expenses). Values since 2014 have been adjusted.

Publishing Details/ Financial Calendar

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Financial Calendar

March 20, 2018	Publication of Annual Report 2017 Press conference on financial results, Frankfurt
May 08, 2018	Publication of first-quarter report 2018
May 30, 2018	AGM, Munich
August 7, 2018	Publication of half-year report 2018
November 8, 2018	Publication of nine-month report 2018

Disclaimer

This report contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of Wacker Neuson SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside the Company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. The Company neither plans nor undertakes to update any forward-looking statements.

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