



# Reaching higher.

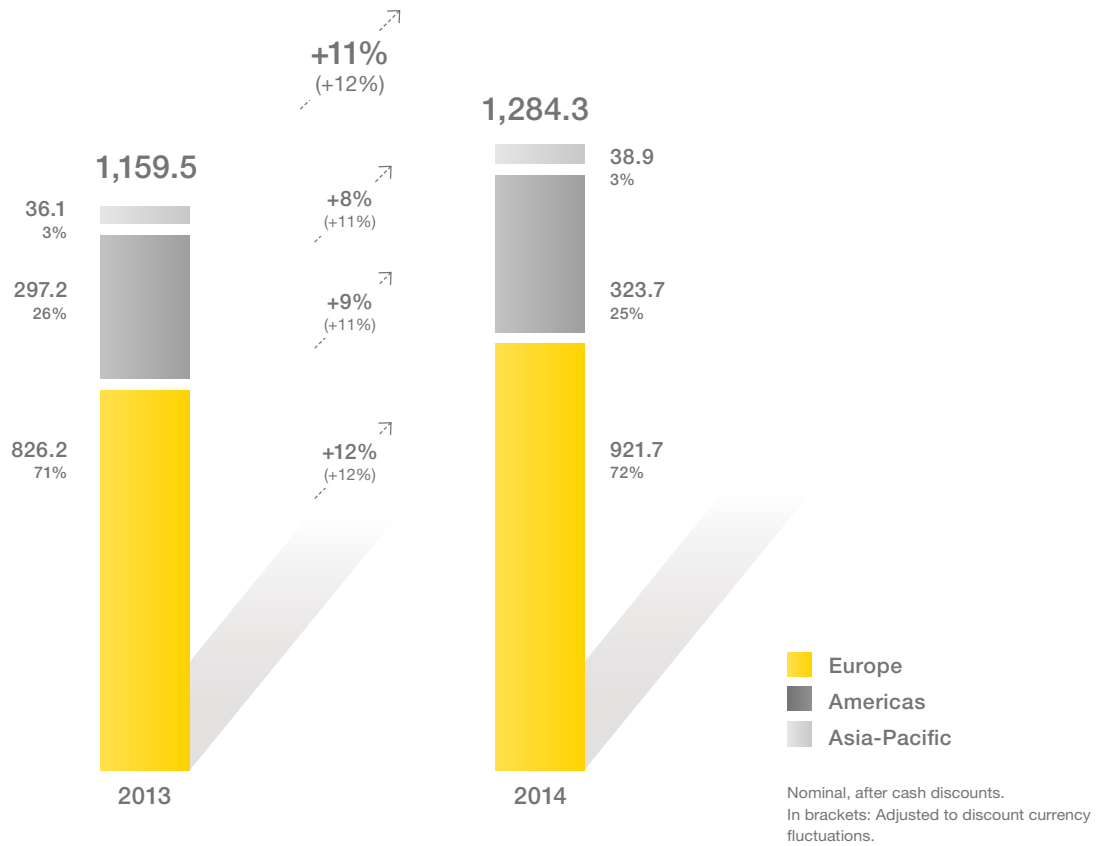
Annual Report 2014



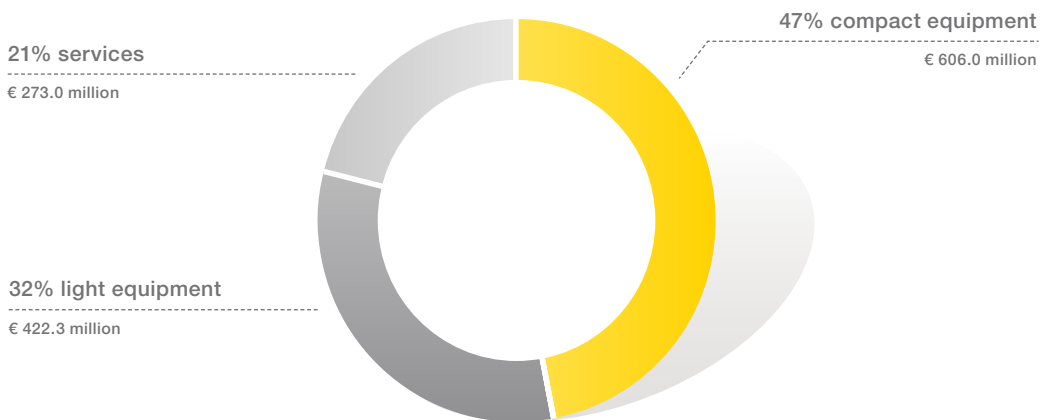
Wacker Neuson  
Group

## Revenue development by region

in € million (as a % of total revenue)



## Revenue distribution by business segment



Nominal, before cash discounts.

## 2014: Key Performance Indicators (KPIs)

Revenue

**€ 1.28 billion**

(+ 11% on previous year)

Equity ratio (at Dec. 31, 2014)

**70%**

(Equity: € 1 billion)

EBITDA margin

**15.3%**

(+ 2.1 PP on previous year)

Return on equity (ROE)

**9.4%**

(+ 2.8 PP on previous year)

EBIT margin

**10.6%**

(+ 2.4 PP on previous year)

Gearing

**17.7%**

(-1.2 PP on previous year)

Net earnings per share

**€ 1.30**

(+ 49 % on previous year)

Free cash flow

**€ 21.5 million**

(previous year: € 55.2 million)

Economic Value Added (EVA)

**€ 32.4 million**

(previous year: € 5.1 million)

Share price development (1/1-31/12/14)

**+ 48%**

(+ € 384 million  
market capitalization<sup>1</sup>)

<sup>1</sup> Market capitalization at Dec. 31, 2014: € 1.2 billion.

# Figures at a glance 2014

Wacker Neuson Group at December 31

in € million	2014	2013	Changes
<b>Key figures</b>			
Revenue	1,284.3	1,159.5	10.8%
EBITDA	196.3	153.4	28.0%
Depreciation and amortization	60.1	58.6	2.6%
EBIT	136.2	94.7	43.8%
EBT	130.1	88.0	47.8%
Profit for the period	91.5	61.2	49.5%
Number of employees	4,372	4,157	5.2%
R&D ratio (incl. capitalized expenses) as a %	3.2	3.1	0.1 PP
<b>Share</b>			
Earnings per share in €	1.30	0.87	49.5%
Dividends per share in €	0.50 <sup>1</sup>	0.40	25.0%
<b>Key profit figures</b>			
EBITDA margin as a %	15.3	13.2	2.1 PP
EBIT margin as a %	10.6	8.2	2.4 PP
<b>Key figures from the balance sheet</b>			
Non-current assets	814.1	792.0	2.8%
Current assets	633.5	530.4	19.4%
Equity before minority interests	1,011.7	935.5	8.1%
Gearing as a %	17.7	18.9	-1.2 PP
Equity ratio before minority interests as a %	69.9	70.7	-0.8 PP
ROE as a %	9.4	6.6	2.8 PP
Average working capital to revenue as a %	38.4	39.2	-0.8 PP
Capital employed (average)	897.1	859.4	4.4%
ROCE II as a %	10.8	7.7	3.1 PP
<b>Cash flow</b>			
Cash flow from operating activities	106.8	131.1	-18.5%
Cash flow from investment activities	-85.3	-75.9	12.4%
Investments (property, plant and equipment and intangible assets)	90.3	86.8	4.0%
Cash flow from financing activities	-23.0	-57.4	-59.9%
Free cash flow	21.5	55.2	-61.1%

<sup>1</sup> Dividend proposal for the AGM on May 27, 2015.

All consolidated figures prepared according to IFRS. An eight-year overview of key indicators is provided at the end of this report.

# The Wacker Neuson Group

The Wacker Neuson Group is a leading manufacturer of light and compact equipment with over 40 affiliates, 140 sales and service stations and more than 12,000 sales and service partners across the globe. The Group can trace its roots back to 1848. With its broad portfolio and efficient, global spare parts service, the Wacker Neuson Group is the partner of choice among professional users across a wide range of industries, including the construction, gardening, landscaping and agriculture sectors, as well as among municipal bodies and companies in industries such as recycling and energy. In 2014, Wacker Neuson achieved revenue of EUR 1.28 billion and employed 4,400 people worldwide.

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## Interview with the CEO

**“WE HAVE LAID THE FOUNDATIONS FOR FURTHER PROFITABLE GROWTH.”**

**Mr. Peksaglam, you have been CEO of Wacker Neuson SE since 2011. How has the company developed in the three and a half years since you took the helm?**

Very well, I think. Since 2011, we have set new revenue records year on year. Profit has also increased steadily, with the sole exception of fiscal 2012, which was impacted by one-off events such as the relocation to our new compact equipment plant in Hörsching (Austria). We have modernized our production facilities and processes, making them leaner. In addition, we have formed key alliances and strengthened our reputation as a technology leader, while also broadening our international footprint. And we have successfully pursued our strategic goal of leveraging our established and extended sales organization to distribute our compact equipment around the globe. A recent highlight here was the expansion of our production facility for skid steer loaders at our Milwaukee site in the US at the end of last year.

**“We have successfully pursued our strategic goal of distributing our compact equipment around the globe.”**

**Have your strategic alliances developed as you intended?**

Yes. Our partnerships with agricultural machinery specialist Claas and construction equipment manufacturer Caterpillar have developed very well, with Wacker Neuson supplying compact equipment in line with our partners' requirements and design specifications. Both alliances made an appreciable contribution to our growth in 2014. We also have high hopes of our new alliance with the Wirtgen Group, which we entered into on February 1, 2015. Wirtgen Group member Hamm AG, a leading global manufacturer of rollers, will supply us with products to our technical and design specifications, rounding out our offering in the soil and asphalt compaction segment and, particularly, our range of rollers.



› Cem Peksaglam  
CEO

**You also mentioned technology leadership – was the Wacker Neuson Group able to keep up its innovative pace in 2014?**

I think the figures speak for themselves. Our research and development outlay, including capitalized expenditure, rose 16 percent last year to exceed EUR 41 million. Despite the upturn in sales, we were able to increase our R&D ratio slightly from 3.1 to 3.2 percent. That is a solid figure to maintain the Group's innovative leadership across many different areas.

**And what are the focus areas for your technical development at the moment?**

One of our main targets over the last year has been to extend our pioneering position in product safety, operator safety and environmental protection. Wacker Neuson Group equipment should be easy and convenient to use and safeguard operator health – for example, by reducing hand-arm vibrations. On the environmental front, our engineers are working on alternative concepts such as electric and battery-powered motors, as well as on increasing energy efficiency. And, in common with the industry as a whole, we are focusing a large portion of our development resources on keeping pace with stricter legal requirements, especially exhaust emission regulations. We are also working to standardize components across various models and product groups, as well as devising new platforms to reduce components and costs. Needless to say, though, we still keep our sights firmly set on developing completely new products too.

### Could you give us a few examples of current developments?

In the light equipment segment, Wacker Neuson unveiled in fall 2014 the first battery-powered rammer which is driven by an electric motor for emissions-free operation. Meanwhile, in the medium weight category, a new walk-behind concept for reversible vibratory plates reduces hand-arm vibrations to below 1.5 m/s<sup>2</sup>. That is so low that the German trade association (Berufsgenossenschaft), allows operators to use these machines without time restrictions, whereas they must log their working hours on all other devices. In the compact equipment segment, we presented the EW 100 10-ton mobile excavator – the fastest in its class at 40 km/h. And the Wacker Neuson WL20e wheel loader is another innovation – the first wheel loader to feature electric drive technology. With its battery fully charged, this model can run for up to five hours, keeping noise to a minimum and generating zero emissions. And that’s just a few of our recent highlights!

### Let’s turn now to the financial side of things. Are you satisfied overall with fiscal 2014?

The Wacker Neuson Group was able to match or even break numerous records in 2014. Alongside record revenue of EUR 1.28 billion – an increase of 11 percent – we made significant improvements to most key performance indicators. We achieved a record EBIT of EUR 136 million, which represents a 44-percent increase on the previous year. Our equity also reached a new record high, breaking the billion-euro barrier, and return on equity climbed to 9.4 percent.

### Your profit increase is certainly impressive. How did you manage it?

Process improvements – and thus optimized costs – are having an impact across the Group. In 2014, we succeeded in keeping the major cost blocks under control and in reducing administrative outlay. At EUR 263 million, total sales, general and administrative expenses and R&D costs rose by just 1.3 percent. We also have our staff to thank, who showed great commitment in achieving this necessary gain in productivity. Headcount increased by 5 percent in 2014, to 4,370 full-time positions.

**“Process improvements – and thus optimized costs – are having an impact across the Group.”**

### What does this success mean for your shareholders?

Our earnings per share have increased from EUR 0.87 in 2013 to a record high of EUR 1.30 in 2014, meaning that we are now able to raise dividends from EUR 0.40 last year to EUR 0.50 per share. Our share price also reflects the company’s success: whereas it was hovering between EUR 9 and EUR 13 a year ago, it was approaching the EUR 17 mark



by the end of 2014 and has risen to around EUR 22–24 by now. Our market capitalization has thus increased to over EUR 1.6 billion<sup>1</sup>. So Wacker Neuson shares remain an attractive investment.

#### **Do you see further potential to keep costs in check in the future?**

Cost management is an ongoing task. Under manufacturing costs, the Group's largest cost factors are materials and third-party services. With our compact equipment locations in Germany and Austria already coordinating and bundling their procurement activities very successfully over a longer period, we established a corporate function for procurement and quality in 2013. Under uniform management, the new Group-wide function has optimized and will continue to optimize processes, intensifying cooperation with selected suppliers, consolidating purchasing volumes and placing our procurement network on a more international footing. We particularly intend to step up our activities in this regard in Asia, where we have already been active on the procurement markets for many years. We expect to realize significant cost savings here in coming years and are already seeing initial results.

#### **Alongside cost-cutting efforts, what is Wacker Neuson doing to boost Group performance?**

Adopted in 2012, our GIPI strategy – which stands for Growth, Internationalization, Professionalization and Integration – has given us a solid foundation for the future. This strategy focuses on profitable growth. We intend to increase our international reach through the targeted expansion of our market positions, which also includes harnessing the depth and breadth of our product portfolio even more effectively. We see major potential in the emerging markets. In terms of Professionalization, our improvements are already paying off in several areas, including quality, availability as well as sales and service activities. This aspect also entails growing our technology leadership and tailoring our products to the needs of customers in local markets. Finally, in 2014, the Group created a number of new corporate functions and roles, including corporate aftermarket, corporate lean management, corporate facility and asset management, and corporate sustainability. These umbrella functions integrate know-how and best practices from the various business fields, making them available across all areas of the Group and maximizing synergies. All of this will help us to strengthen our position even further in the face of tough global competition.

#### **Speaking of competition – how is the environment developing and what will it look like in the medium term?**

We are seeing two clear trends. Partnerships and alliances between construction equipment manufacturers and other market players, such as rental firms and construction companies,

<sup>1</sup> Editor's note: This information refers to March 13, 2015.

are increasing. At the same time, numerous providers, particularly from China, are looking to enter new markets – also in North America and Europe – and Western suppliers are shifting production to potential target markets with lower manufacturing costs, like China and India. So it is safe to assume that the supplier base will become more concentrated and competition increasingly intense. These are developments that we are watching closely in order to position ourselves successfully on the global market.

#### Can you give us an initial outlook for fiscal 2015?

Business for our Group has continued to develop positively in the first weeks of 2015. The current order intake for compact equipment is particularly pleasing and gives us a solid starting point. Light equipment is also performing well and we are preparing to bring several new products to market in 2015, which will enable further growth. Overall, assuming market trends remain positive, we anticipate revenue of between EUR 1.40 and 1.45 billion for fiscal 2015 – so 9 to 13 percent above the previous year. We expect the EBIT margin to lie between 9.5 and 10.5 percent of revenue.

#### How reliable are such forecasts?

This early in the year, a number of uncertainties obviously still remain. Our compact equipment customers continue to place orders at very short notice, so our forecast range for this segment is three to four months. We are working on reducing delivery times even further to enable rapid fulfillment of these orders. In light equipment, we are already equipped for delivery periods of 24 to 48 hours. The flexibility of our production is a key success factor in both cases. Of course, we have less influence over developments beyond the company but the overall view is positive there too. Despite current hot spots such as Russia and South America, the signs in key Group markets in North America and Europe – not least Germany – give us reason for confidence. Additionally, we have established a broader basis over the last few years, supplying industrial companies of all kinds, gardening and landscaping customers, municipal bodies and recycling firms, as well as the energy and agricultural sectors. That makes us more resilient to fluctuations in individual target markets.

**“Production flexibility is a key success factor.”**

**Mr. Peksaglam, many thanks for this discussion.**



The CEO was interviewed by:

**Joachim Weber – economics journalist**

Joachim Weber started his career with an apprenticeship in industrial business management (mechanical engineering). He followed this up with a degree in business management (minor in business IT) at the University of Hamburg. From 1974 to 2007, he worked as a business and industry reporter for German daily newspapers Die Welt and Handelsblatt. Today, he works as a freelance journalist, focusing mainly on the interface between economics and technology, an area of journalism that continues to offer interesting opportunities in Germany.

# Management



(from left to right)

› **Cem Peksaglam**  
CEO

Responsible for strategy, sales, logistics, service, marketing, investor relations, corporate communication, sustainability, compliance, HR, legal matters and real estate.

› **Martin Lehner**  
CTO  
(Deputy CEO)

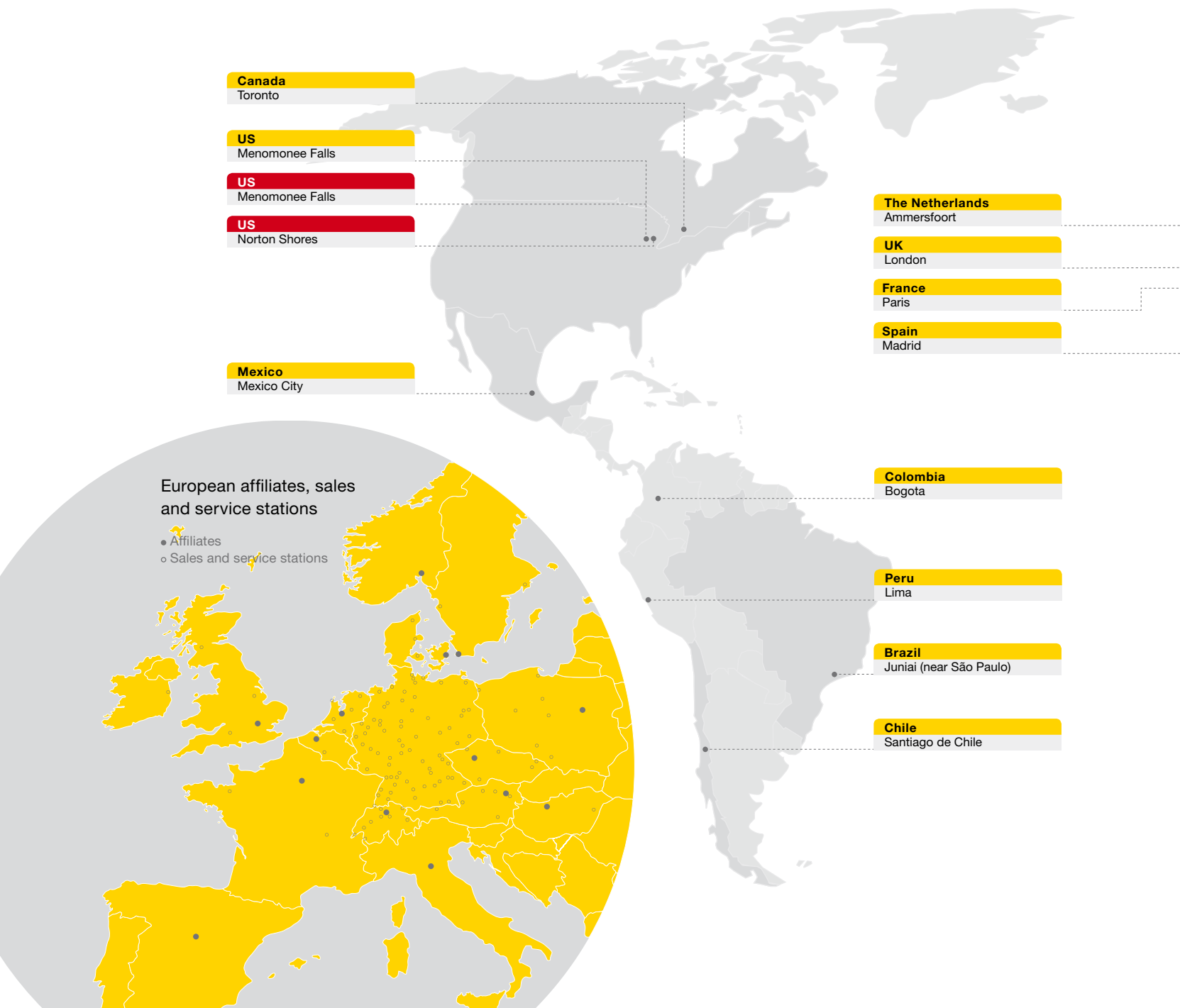
Responsible for procurement, production, technology and quality.


› **Günther C. Binder**  
CFO

Responsible for finance, audit and IT.

# The Wacker Neuson Group AROUND THE WORLD

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



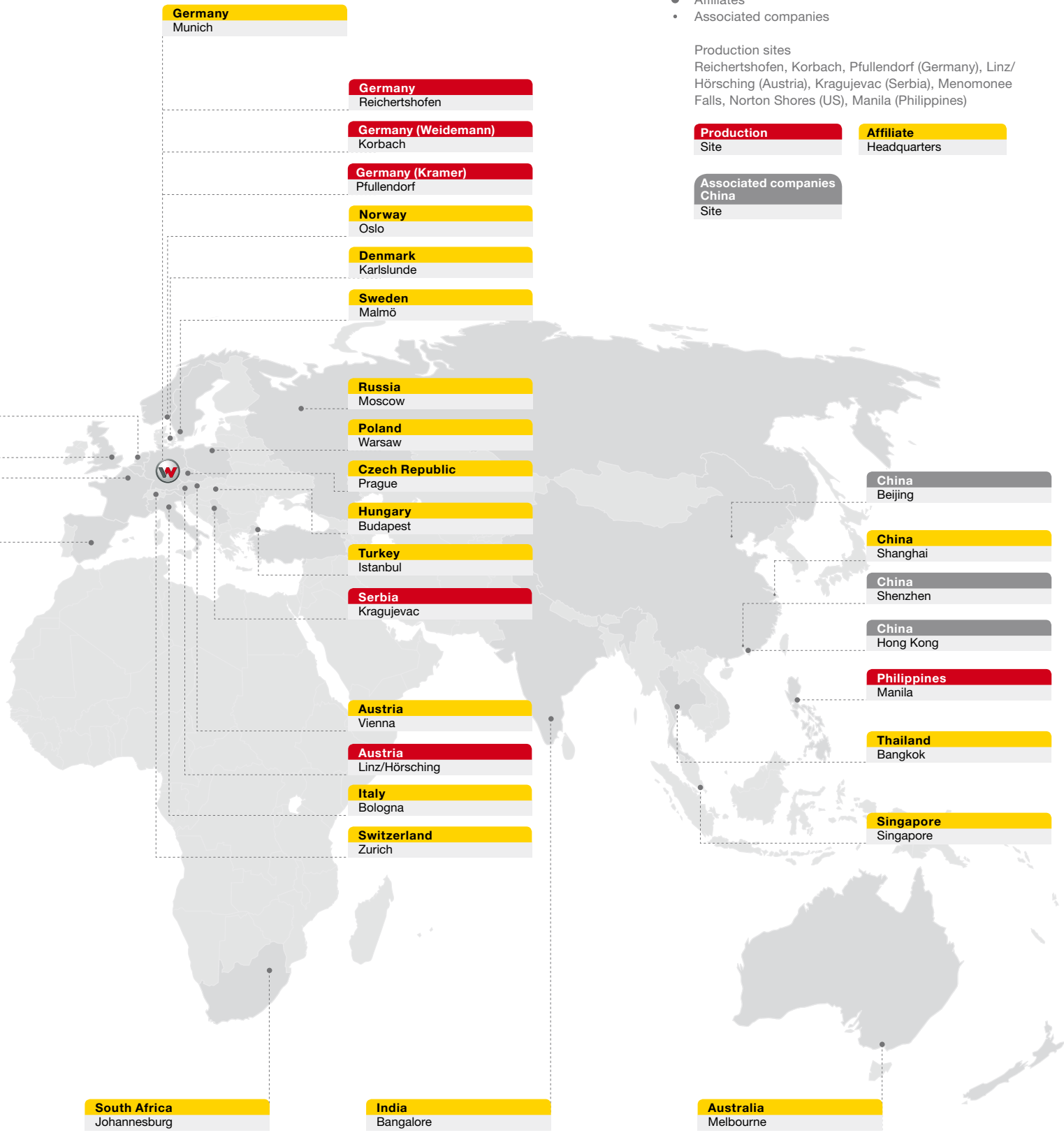
 Headquarters of Wacker Neuson SE (holding company)

- Affiliates
- Associated companies

Production sites  
 Reichertshofen, Korbach, Pfullendorf (Germany), Linz/Hörsching (Austria), Kragujevac (Serbia), Menomonee Falls, Norton Shores (US), Manila (Philippines)

**Production Site**      **Affiliate Headquarters**

**Associated companies**  
 China Site



# Our product philosophy: **PROCESS KNOW-HOW**

The Wacker Neuson Group is the ideal one-stop provider of light and compact equipment guaranteed to optimize our customers' construction processes. The Group is a market leader in many product areas.

## LIGHT EQUIPMENT

Selection

### CONCRETE TECHNOLOGY



Internal vibrators



External vibrators



Converters



Trowels



Rebar technology

### COMPACTION



Rammers



Vibratory plates



Remote control  
compaction equipment



Rollers

### WORKSITE TECHNOLOGY



Cut-off saws



Gasoline breakers



Floor saws



Electric breakers



Pumps



Generators



Lighting systems



Hydronic heaters

## COMPACT EQUIPMENT

Selection

### EXCAVATORS



Compact excavators



Zero-tail excavators



Mobile excavators

### DUMPERS



Track dumpers



Four-wheel dumpers



Four-wheel dumpers with cabs

### SKID STEER LOADERS



Skid steer loaders



Skid steer loaders



Track skid steer loaders

### WHEEL LOADERS



All-wheel-drive wheel loaders



All-wheel-drive tele wheel loaders



Articulated wheel loaders



Hoftracs® models and wheel loaders for the agricultural industry



All-wheel-drive wheel loaders for the agricultural industry

### TELESCOPIC HANDLERS



Compact telescopic handlers



Telescopic handlers



Telescopic handlers for the agricultural industry



Telescopic handlers for the agricultural industry

## SERVICES

### USED EQUIPMENT



### PARTS EXCHANGE



### REPAIR & MAINTENANCE<sup>1</sup>



### RENTAL SERVICE<sup>1</sup>



### FINANCING



<sup>1</sup> in selected countries.

# THE WACKER NEUSON GROUP: FOCUS ON SUSTAINABLE INCREASE IN VALUE

The Wacker Neuson Group is built on the rich history and traditions of several different companies. Over time, these have grown together, forming a single entity that continually builds on its strengths. The Wacker Neuson Group complements its broad, deep product portfolio with an extensive range of services and an efficient spare parts network that spans the globe. Backed by its extensive global sales footprint and ongoing commitment to developing innovative ideas, the Wacker Neuson Group is perfectly positioned for even more success in the future.

On the following pages, we aim to show you what exactly makes the Wacker Neuson share such an interesting investment. We want you to find out more about the Group as well as our business model, position and strengths. Discover how our success over the past five years is reflected in our results and why we have such a healthy financial foundation. We also invite you to look to the future with us as we outline our vision together with the opportunities and risks that we face and our roadmap for future growth over the coming years.

Let us impress you!



## + Strong brands with a clear profile



## + Success across three business segments

Light equipment	Compact equipment	Services
<ul style="list-style-type: none"> <li>■ Concrete technology</li> <li>■ Compaction</li> <li>■ Worksite technology</li> </ul>	<ul style="list-style-type: none"> <li>■ Track excavators, mobile excavators</li> <li>■ Wheel loaders</li> <li>■ Telescopic handlers</li> <li>■ Skid steer loaders</li> <li>■ Four-wheel and track dumpers</li> </ul>	<ul style="list-style-type: none"> <li>■ Repair, maintenance, replacement parts, mobile services</li> <li>■ Rental in selected European markets</li> <li>■ Leasing, financing, hire-purchase</li> <li>■ Wacker Neuson Academy</li> </ul>
<h1 style="margin: 0;">32 %</h1> <p style="margin: 0;">Revenue share 2014 (€ 422 million)</p>	<h1 style="margin: 0;">47 %</h1> <p style="margin: 0;">Revenue share 2014 (€ 606 million)</p>	<h1 style="margin: 0;">21 %</h1> <p style="margin: 0;">Revenue share 2014 (€ 273 million)</p>

**The Wacker Neuson Group sets itself apart from the competition through its...**

- ... broad portfolio of light and compact equipment
- ... own sales and service network
- ... leading market position in Europe and North America
- ... outstanding product quality
- ... wealth of technical expertise and strong innovative drive
- ... focused, flexible production facilities and sophisticated logistics
- ... experienced management team
- ... more than 165 years of experience

**Our high-performance, global sales network serves a broad spectrum of industries**

**Sales channels**

**Direct sales**

- In Central Europe
- Own sales and service stations, complete service offering

**Dealers**

- Global sale and distribution of new equipment, comprehensive service offering

**Rental firms**

- Products are used around the globe in rental fleets with particularly high requirements and strong demand for services

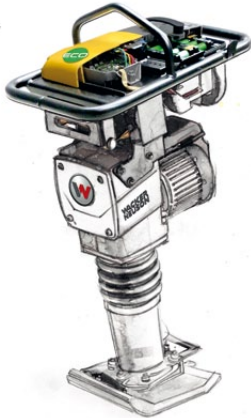
**Sales and distribution via OEM partners**

- Products manufactured by the Wacker Neuson Group are sold worldwide by partners such as Caterpillar and Claas

**Target industries**

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

ECOlogy + ECOhomy = **ECO**



New Wacker Neuson AS 50 battery-powered rammer: winner of the GaLaBau "Green Award" gold medal.



WL20e: first zero-emissions wheel loader.

**+** Growing ECO portfolio combines cost efficiency and environmental friendliness

- + Reduce CO<sub>2</sub> emissions while maintaining same high performance
- + Versatile deployment
- + Improve operator safety
- + Compliance with exhaust emission legislation for diesel engines (TIER 3b/TIER 4)
- + Increase customer benefits throughout product lifecycle (cost efficiency)

**+** Our qualities also impress strategic partners such as Claas, Caterpillar and Wirtgen<sup>1</sup>



DEVELOPED AND MANUFACTURED BY KRAMER FOR ...



DEVELOPED AND MANUFACTURED BY WACKER NEUSON FOR ...



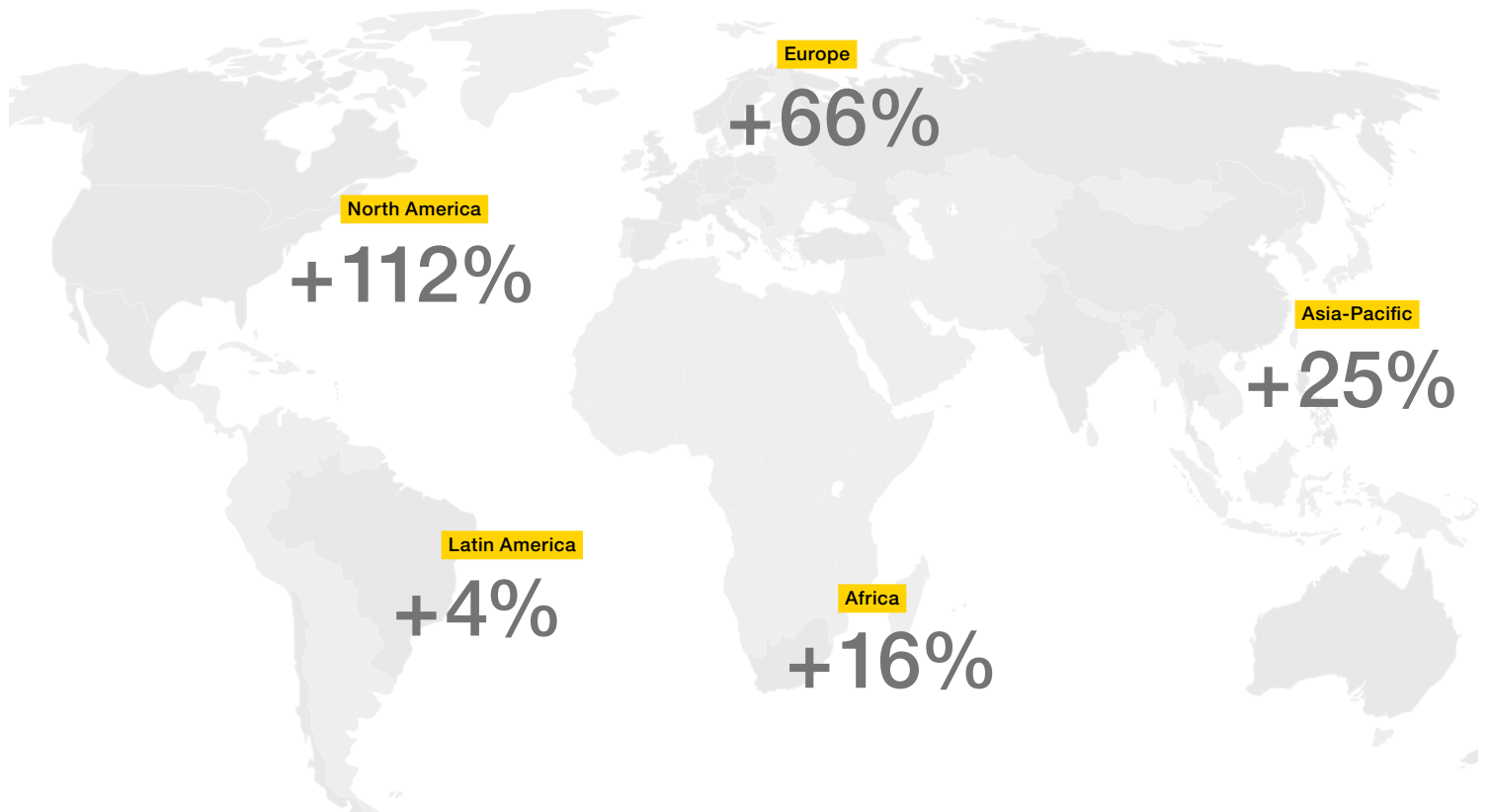
DEVELOPED AND MANUFACTURED FOR WACKER NEUSON

<sup>1</sup> Excerpts from product portfolio.

# PERFORMANCE AND FINANCIAL PROFILE

The Group has proven that it can manage dynamic growth efficiently and profitability. A solid financial backbone gives the company broad scope to maneuver.

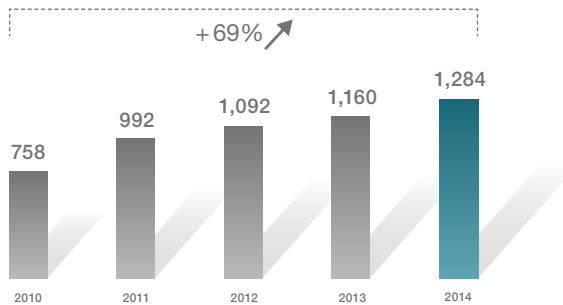
**+** Profitable growth with increased market share



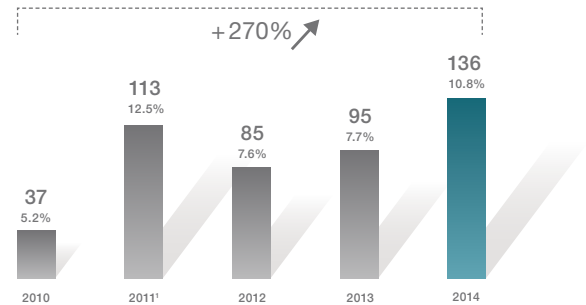
Changes in revenue per region between 2010 and 2014 as a %.

## Strong growth and above-average results

Revenue in € million



EBIT in € million (ROCE II as a %)



<sup>1</sup> Adjusted for one-off write-up.

## Financial stability gives the company room to maneuver

(as of December 31, 2014)

Credit lines drawn on

45%

Gearing

18%

Equity ratio before minority interests

70%

Free cash flow

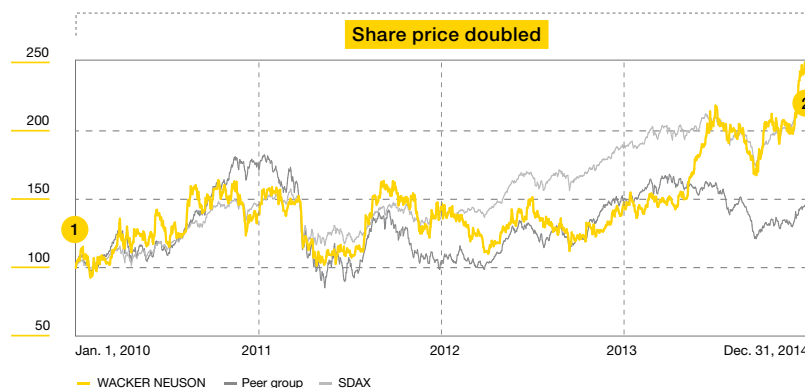
€ 22 million

Investments

>€ 90 million

## Solid family-owned company with 36% of shares in free float

Wacker Neuson share: 2010 to 2014<sup>1</sup>



1 Market capitalization: € 670 million

2 Market capitalization: € 1.2 billion

Sound dividend policy: at least 30% of Group profit for the year paid out as dividends.

Peer group: Manitou, Haulotte, Palfinger, Caterpillar, Terex, Ramirent, Cramo, Atlas Copco, Bauer, Deutz.

<sup>1</sup> Share development, discounting any dividends.

# STRATEGY AND TARGETS

We have evolved a clear vision with ambitious targets for the coming years. On the basis of this, we develop growth initiatives tailored to local market dynamics the world over. Our optimized processes help us expand our market position.

## + GIPI strategy defines operational framework

### 1. Growth

We aim for **profitable growth** and **healthy return on capital** employed. We do not believe in revenue growth at any cost.

### 2. Internationalization

We want to establish our company as a **global player** with a strong position in our target markets. To achieve this, we employ qualified people whose diverse cultural backgrounds are an invaluable asset to our company.

### 3. Professionalization

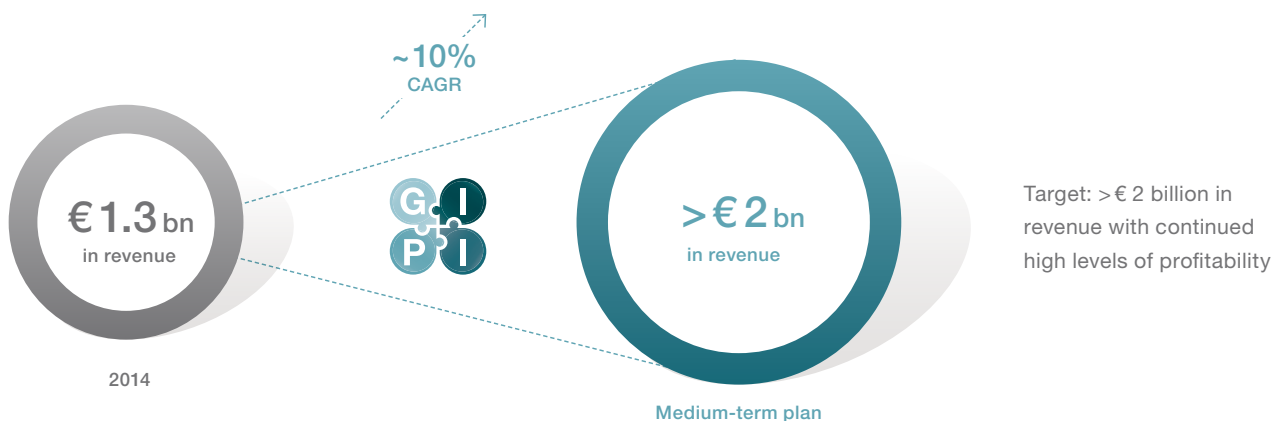
We strive for **excellence** in everything we do.

### 4. Integration



Our company is the result of mergers between **various family-run enterprises** each with a **unique corporate culture**. We have set down our own values in writing and live by them. We actively integrate all of our companies into the Group and will continue to do so in the future.



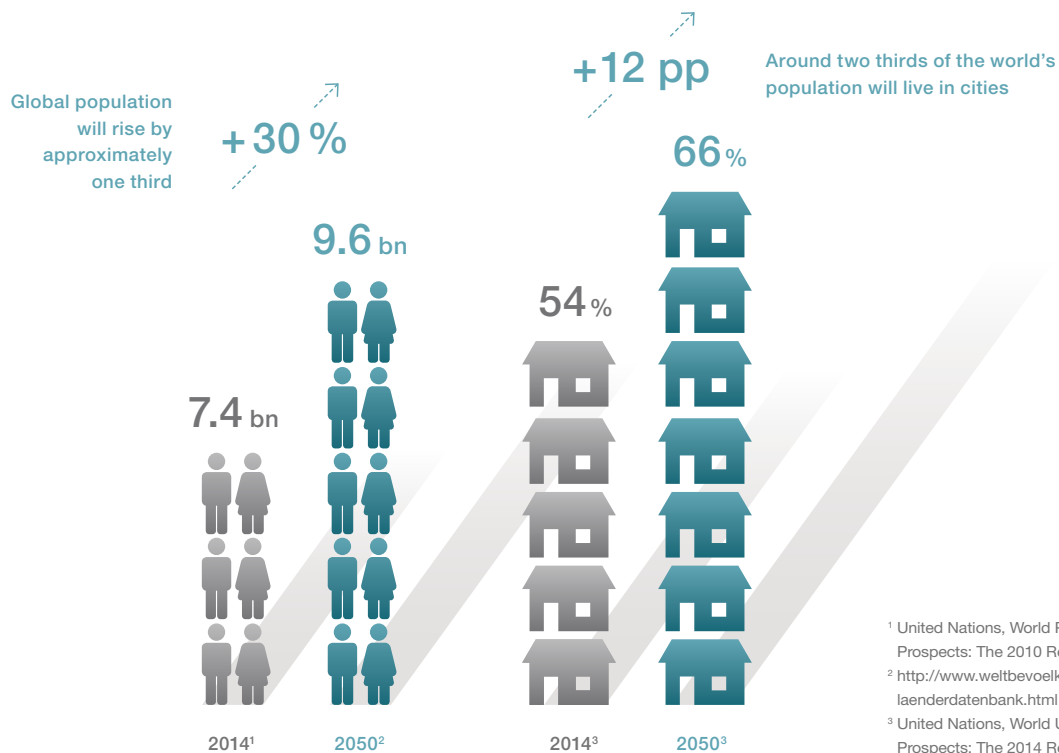
## + Medium-term target: maintain profitable growth



## + Long-term trends create growth opportunities

 <ul style="list-style-type: none"> <li>■ Infrastructural needs in emerging markets</li> <li>■ Expansion and modernization of road and rail networks worldwide</li> <li>■ Trend towards multifunctional compact equipment for transporting material in the industrial sector</li> <li>■ Consequences of climate change and greater emphasis on environmental protection</li> </ul>	 <ul style="list-style-type: none"> <li>■ Increasing global demand for food and fodder due to population growth</li> <li>■ Structural shift towards fewer, larger holdings (especially in Europe) with greater demand for mechanization</li> <li>■ Increasing industrialization/automation of agricultural operations, even in emerging economies</li> </ul>
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## + We are benefitting from population growth and increased urbanization



<sup>1</sup> United Nations, World Population Prospects: The 2010 Revision.  
<sup>2</sup> <http://www.weltbevoelkerung.de/laenderdatenbank.html>  
<sup>3</sup> United Nations, World Urbanization Prospects: The 2014 Revision.

## + We rise to the challenges across all industries...

### Key market trends

- It is becoming increasingly important for manufacturers to tailor products to the needs of customers in local markets
- Companies with strong market positions are equally successful in emerging and industrialized markets
- Technical barriers to entering industrialized countries are decreasing (it is becoming increasingly difficult to protect know-how; pressure on prices is increasing)
- Dealers, construction companies and rental firms prefer larger, healthy and growing manufacturers

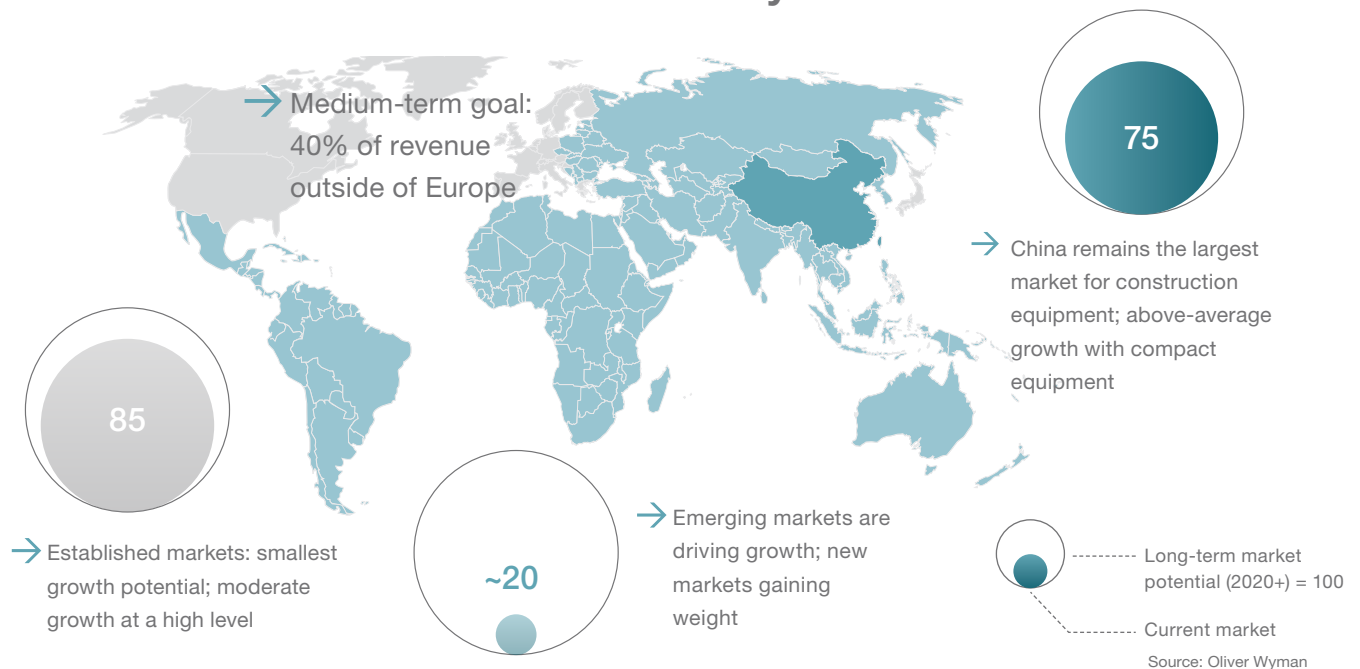


## + ... and the risks

### Key industry risks

- Geopolitical conflicts (Ukraine, Middle East)
- Resurgence of the euro crisis
- Reform delays and sluggish growth in eurozone countries
- Weak growth in emerging economies
- Increasing lack of skilled workers
- Stricter emissions regulations that differ from region to region
- Rising energy and raw material prices

## + Different markets require different approaches depending individual structures and maturity levels



In 2014, the Wacker Neuson Group generated 29% of revenue outside of Europe. The construction equipment market will continue to grow over the coming years. North America, Western Europe and Japan (the traditional triad) continue to be key markets, although their growth potential is exhausted to the largest extent (marked gray). The Chinese market will continue to grow, although growth will be more sluggish than in recent years (marked dark turquoise). Growth is expected to be strongest in the new markets (marked light turquoise).



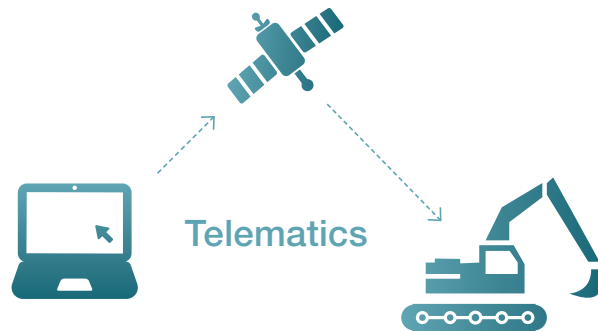
**+ Growth strategy for established markets**

- Product development tailored to target groups
- Defend and expand market position
- Proactive cross-selling
- Further market penetration
- Diversify across target markets
- Expand services business
- Strengthen position as innovation leader
- Strategic alliances

**+ Innovation remains a key distinguishing feature and an important growth driver**

**> 3%**  
R&D ratio

In spite of clear revenue increases, we are maintaining our R&D ratio above 3 percent of revenue.



Example: GPS-based systems for location, monitoring, navigation and operational data logging technologies for construction equipment.

**+ Skid steer loaders developed and manufactured in the US to meet strong demand in the region**

**> 70,000 units p.a.**  
USA – largest market for skid steer loaders<sup>1</sup>

In 2014, Wacker Neuson relocated the production of skid steer loaders from Austria to the US (Wisconsin) to increase market reach.

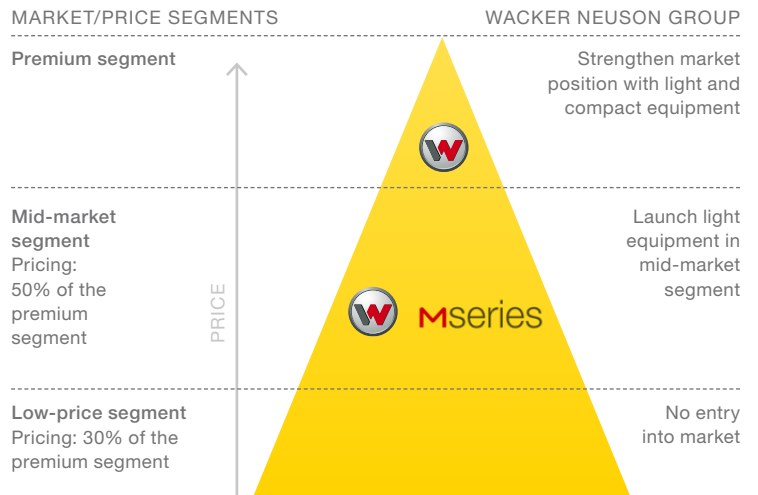
<sup>1</sup> Committee for European Construction Equipment (CECE), 2014.



## + Expansion strategy for emerging markets



## + Expand mid-price portfolio to address requirements in emerging markets



## + Strengthening sales and distribution in Latin America and Asia

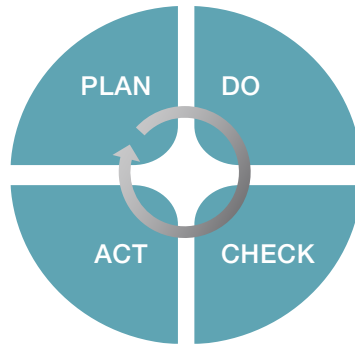


- NEW:  
Bogota, Colombia  
Sales affiliate established (2014)
- NEW:  
Lima, Peru  
Sales affiliate established (2014)



- NEW:  
Shanghai, China  
Regional HQ  
Greater China (2014)
- NEW:  
Singapore  
Regional HQ  
ASEAN/SAARC (2014)

**+ New processes and technologies drive positive results**



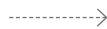
PDCA cycle for continuous improvements in quality, availability and costs.

Optimization and standardization processes help us maintain and expand our competitive position. The Wacker Neuson Group focuses on market requirements when developing new technologies. These include alternative drive technologies as well as optimized user protection features and solutions aimed at raising comfort and efficiency levels.

**+ Increased volumes reduce unit costs**



Increase production and sales volumes



Reduce unit costs

We aim to proactively leverage synergies by realigning global procurement and coordinating our purchasing and supplier management activities at a global level.

**+ Working together to achieve more: partnership and cooperation with our customers**



In recent years, we have proven beyond doubt that we can manage dynamic growth and win market share, even under challenging conditions. But this does not mean that we are willing to rest on our laurels. In fact the opposite is true. We strongly believe that we have found the right strategies to ensure that the Wacker Neuson Group continues on its successful growth path. We can and will continue to expand – ideally in the double-digit range.

We would like you to join us on this road to success.

# Our share in 2014

Even though 2014 was a highly volatile year on global stock markets, the Wacker Neuson share performed extremely well, recording a gain of 48 percent. The share significantly outperformed both its German benchmark indexes and its peer group. It had gained another 30 percent or so from early January to the start of March 2015.

## 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. 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 hold at least five percent of the voting rights. The weighting in this index is based on market capitalization of the free float.

## Stock market trends in 2014

2014 was a turbulent year for the stock markets. With expansionary monetary policies still being pursued around the world, weak economic indicators in Europe and South America and a number of geopolitical crises remaining unresolved, the leading global indices recorded very uneven performance amid high volatility. In June, Germany’s main share index, the DAX, exceeded the 10,000-point threshold for the first time in its history. Over the year, however, it recorded no more than a 2.6-percent rise, thus failing to match its exceptionally good performance of the previous two years. The year went slightly better for the SDAX index, which saw an increase of 5.9 percent. Growth in the US stock market was much healthier by comparison. The 11.4-percent increase recorded by the S&P 500 reflects the seemingly steady recovery of the US economy. Liberalization of China’s capital market propelled its main index, the CSI 300, to end the year 51.7 percent higher than the prior year period. The Russian stock market brought up the rear in 2014. Weakened by Western sanctions due to the crisis in Ukraine and a tumbling ruble, it recorded a decline of over 45 percent.

## Market conditions for construction equipment manufacturers

Leaving aside the US construction sector, which is starting to restabilize, the global construction industry saw little positive momentum again in 2014. The construction equipment sector on the other hand performed better than expected, particularly in Europe. Sales rose here again after a number of slow years, but conditions remained unfavorable in the two large Asian markets of China and India as well as in South America. Several companies from our peer group reported overall increases in revenue and earnings over the year. The Wacker Neuson Group can also look back on a successful fiscal 2014, in which it managed to fulfill the profit forecast it had raised again in November.

## The Wacker Neuson share

Spurred on by positive reports and news from the company, the Wacker Neuson share recorded a 48-percent gain in 2014. After starting the year at EUR 11.49, the share price largely kept track with the German benchmark indices in the first four months of 2014. Following positive first-quarter figures, an upward trend continued for more than two months until the share reached its high for the year of EUR 18.00. After a brief lull towards the end of the third quarter, the share price rallied again by the end of the year, closing at EUR 16.96 on December 30, 2014. By March 1, 2015, it had climbed around 30 percent to reach EUR 21.35, which corresponds to a market capitalization of EUR 1,497.5 million. → p. 26 fig. 1+2

## Performance of construction and construction supplier shares

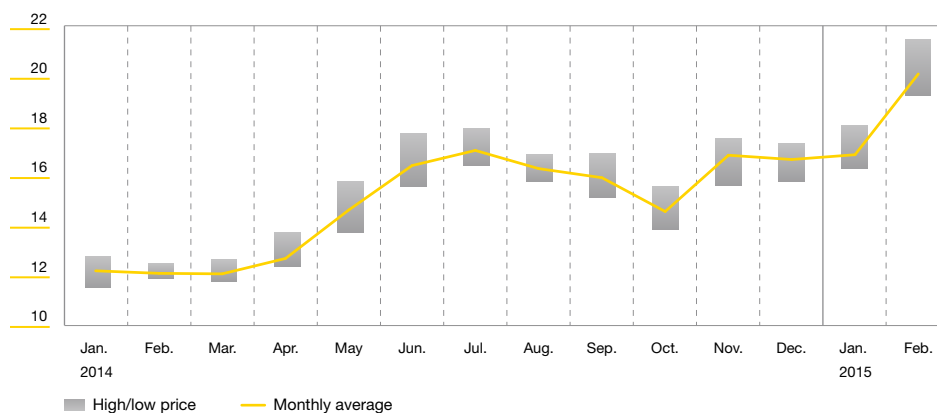
The chart below → p. 26 fig. 1 shows how the Wacker Neuson share performed in relation to our peer group as a whole since January 2014. The index includes French companies Manitou, a telescopic handler manufacturer; Haulotte, a lifting equipment specialist; Austrian crane and hydraulic lifting systems manufacturer Palfinger; the American construction equipment manufacturers Caterpillar and Terex; North European rental companies Ramirent and Cramo; Swedish industrial company Atlas Copco; and German companies Bauer – who specialize in underground construction – and Deutz for engines (particularly for the construction equipment industry). After a relatively quiet first quarter, the rest of the year saw the Wacker Neuson share pull away from its peer group,

**1. Share price trends**  
Jan. 1, 2014 – Mar. 1, 2015  
as a %



Peer group: Manitou, Haulotte, Palfinger, Caterpillar, Terex, Ramirent, Cramo, Atlas Copco, Bauer, Deutz.

**2. Monthly highs, lows and averages for Wacker Neuson share**  
Jan. 1, 2014 – Mar. 1, 2015  
in Euro



**Key indicators for the Wacker Neuson share**

in €	2014	2013
High	18.00	12.75
Low	11.49	9.24
Average	14.84	11.01
Year-end	16.96	11.49
Average daily trading volume in shares	46,340	25,899
Earnings per share <sup>1</sup>	1.30	0.87
Book value per share <sup>1</sup>	14.49	13.39
Dividend payment proposed	0.50 <sup>2</sup>	0.40
Payout ratio as a %	38.3 <sup>2</sup>	45.9
Market capitalization at year-end in € million	1,189.2	805.6

<sup>1</sup> 70,140,000 shares.

<sup>2</sup> Dividend payment to be proposed at the AGM on May 27, 2015.

**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
Indices	SDAX, DAXplus Family, CDAX, GEX, Classic All Shares
IPO	May 15, 2007
Designated sponsor	Deutsche Bank

which tended to struggle. By the end of the year, Wacker Neuson was outperforming these shares by more than 60 percentage points.

**General meeting and dividends**

The Annual General Meeting of Wacker Neuson SE took place in Munich on May 27, 2014. Just under 250 shareholders with 58,323,626 voting rights were represented. Based on a share capital of 70,140,000 shares, this corresponds to 83.15 percent of shareholders.

The AGM approved the proposal to pay out a dividend of EUR 0.40 per share for 2013 (2012: EUR 0.30). This represented a total payout of EUR 28.1 million. The distribution ratio thus panned out at around 46 percent based on Group profit for the year of EUR 61.2 million. This was in line with the long-term dividend policy pursued by the Supervisory Board and the Executive Board, which defines a minimum distribution of 30 percent of Group profit.

At this year’s AGM on May 27, 2015, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.50 for 2014. This would correspond to a payout ratio of around 38.3 percent based on Group profit for 2014 of EUR 91.5 million.

**Ownership structure**

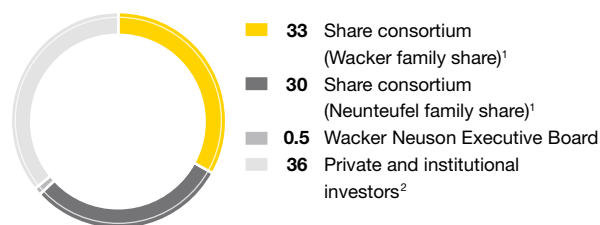
As of the closing date, December 31, 2014, 63.1 percent of the share capital is held by a consortium made up of the Wacker and Neunteufel families (for information regarding the consortium and pool agreement, see p. 88). The Executive Board of Wacker Neuson SE holds a further 0.5 percent of the shares. The remaining shares are held by private and institutional investors. To the best of our knowledge, the majority of our shares (free float) – over 65 percent – are held by German investors.

**Strong relationships – proactive communication**

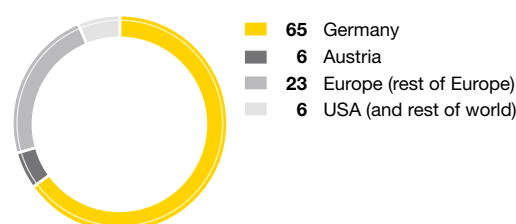
Maintaining good relationships and regular contact with private shareholders, institutional investors, analysts and other stakeholders is important to us; it is the only way to ensure that market players can realistically assess and evaluate our share and its development. In 2014, we again actively briefed capital market players at the AGM and above all at investor conferences and roadshows in Germany and abroad. The objective here is to keep analysts and investors up to speed on trends in our markets and lines of business as well as on our strategic aims.

A wealth of information is available on our website [www.corporate.wackerneuson.com](http://www.corporate.wackerneuson.com) under Investor Relations. This includes annual and quarterly reports,

**Shareholder structure**  
as a % of total



**Geographic distribution of private and institutional investors (free float)**  
as a regional % of total



As of December 31, 2014.  
Differences attributable to rounding  
Share capital/number of shares: 70.14 million.  
<sup>1</sup> See information on consortium and pool agreement (p. 88).  
<sup>2</sup> Includes shares held by the Wacker and Neunteufel families outside of the consortium.

press releases and ad-hoc announcements, plus presentations. The latest share evaluations from analysts are also posted on our website.

Our stakeholders are increasingly interested in our approach to sustainable business practices. As such, we will be publishing our first Group-wide sustainability report in the first half of 2015. This will bring us into line with key capital market competitors in the construction equipment sector. You can learn more about our activities in this area in the Sustainability section on page 74 of this annual report.

**Analysts watching our share with interest**

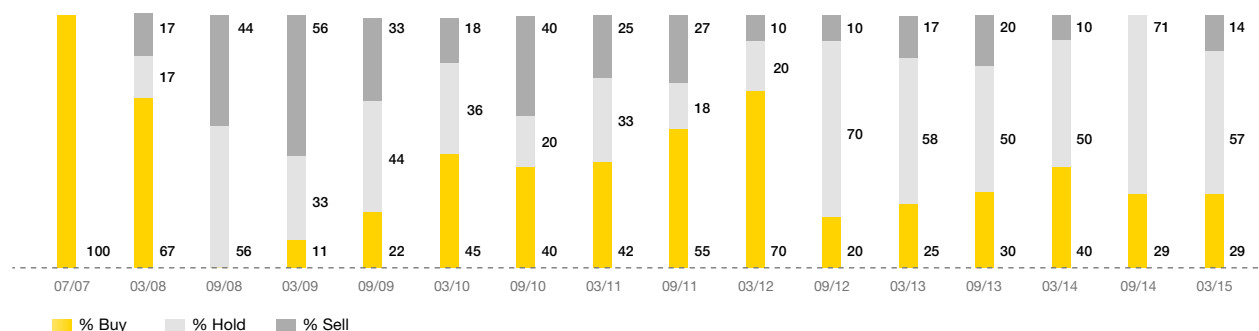
Seven analysts regularly evaluate the Wacker Neuson share price. While Berenberg Bank discontinued its coverage during the year under review, Steubing began following our share at the start of 2015 and currently stands alone in issuing a sell recommendation. As of the March 1, 2015 cut-off date, 29 percent of the analysts were recommending “buy” for our share. The mean target price

Current analyst recommendations for the Wacker Neuson share

Name of bank	Target price in €	Buy	Hold	Sell	Date
Bankhaus Lampe	20.00 €	■			Jan. 26, 15
Exane BNP Paribas	19.50 €	■			Jan. 19, 15
HSBC Trinkhaus & Burkhardt	18.00 €		■		Nov. 12, 14
M.M. Warburg	17.50 €		■		Nov. 12, 14
Deutsche Bank	16.50 €		■		Nov. 4, 14
Kepler Cheuvreux	16.50 €		■		Jan. 28, 15
Steubing	15.50 €			■	Feb. 22, 15
<b>Mean target price</b>	<b>17.64 €</b>				

As of March 1, 2015.

Historic overview of analyst recommendations on Wacker Neuson share



was EUR 17.64 and the recommendations ranged from EUR 15.50 to EUR 20.00.

The analysts' positive evaluations of the Wacker Neuson share are based on the following success factors and opportunities in particular:

- Innovation and market leadership in light and compact equipment
- Global trend towards more compact, fuel-efficient equipment
- Sales synergies for compact equipment through existing international sales network

- Strategic alliances with Caterpillar, Claas and Wirtgen
- Diversification of product portfolio into various sectors
- Strong presence in the recovering US market
- Sound balance sheet and financial flexibility

These opportunities must, however, be weighed up against risks which have the potential to affect the entire industry. These include general economic, currency and raw materials risks, but also the pressure on margins exerted by major customers like rental chains.



# Report by the Supervisory Board



Hans Neunteufel  
Chairman of the Supervisory Board

## Dear Ladies and Gentlemen,

In 2014, we were able to capitalize on the opportunities presented to us by the market. We again increased both our revenue and earnings compared to the previous year, setting new records for the Group in fiscal 2014. We would like to thank our people in particular for helping us to achieve this result. Their dedication and active willingness to assume responsibility was a great support to company management.

## 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 the Articles of Incorporation and verified that the Group was governed soundly by the Executive Board. Furthermore, the Supervisory Board regularly advised the Executive Board on the management of the Group and supervised management activities. It maintained continuous dialog with the Executive Board regarding business development and corporate strategy and was directly involved in all major decisions regarding the Group.

In the run-up to and during its meetings, the Supervisory Board was brought up to date on business developments, changes in assets/liabilities, profit and financials, fundamental issues regarding company planning, company strategy 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 amongst 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. Once again, all Supervisory Board members attended more than half of the Supervisory Board Meetings in fiscal 2014.

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 figures. 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 2014

Eight plenary meetings of the Supervisory Board were held in fiscal 2014. The Presiding Committee met three times and the Audit Committee met on four occasions. In three 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 sales, 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 matters in particular during its meetings:

During its meeting on February 20, 2014, the Supervisory Board focused on the preliminary figures for the previous fiscal year and the updated declaration of compliance with the German Corporate Governance Code. Other items on the agenda included the Group's financing strategy and an assessment of the Supervisory Board efficiency audit. The Supervisory Board members also discussed matters relating to human resources and the development of business activities in North America.

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 2013 at the Supervisory Board meeting to approve the financial statements on March 26, 2014. 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 was done 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. This meeting also discussed Executive Board matters in connection with former members of the Executive Board, the relocation of a product line to North America and strategic alliances.

At the meetings on April 15, 2014 and April 28, 2014, the Supervisory Board passed written resolutions on Executive Board matters in connection with former members of the Executive Board and on the forthcoming new appointments to the Supervisory Board at the AGM.

The meeting on May 8, 2014 focused on the interim report for Q1 and the preparations for the forthcoming AGM. The agenda also included discussion of Executive Board matters in connection with former members of the Executive Board.

On May 27, 2014, the Supervisory Board passed another resolution in advance of the AGM in connection with the forthcoming new appointments to the Supervisory Board at the AGM.

At the extraordinary meeting held on May 27, 2014 just after the AGM, the Supervisory Board passed resolutions on the election of the Deputy Chairman of the Supervisory Board and on the composition of the Presiding Committee following the appointment of two new shareholder representatives to the Supervisory Board at the AGM.

The meeting on July 31, 2014 discussed the half-year report for 2014 as well as aspects of human resources, IT and strategic alliances. The Supervisory Board also approved the establishment of several sales affiliates or representative offices and the closure of a inactive company. Executive Board matters in connection with former members of the Executive Board were also discussed. In addition, the Supervisory Board agreed to exercise certain balance sheet exemptions for various affiliates and thus invoked the company's obligation to carry the associated loss.

The meeting on November 3, 2014 covered in particular the pending publication of the quarterly report. The creation or expansion of various international production facilities and new product groups were also discussed. Other topics covered during the meeting including strategic alliances and logistics matters.

The Supervisory Board dedicated its November 4, 2014 meeting to a discussion on corporate strategy.

During its meeting on December 10, 2014, the Supervisory Board examined the Executive Board's business plan for fiscal 2015. Board members not only assessed the plan, but also discussed the associated opportunities and risks in detail with the Executive Board against the backdrop of the unpredictable global economic climate.

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

#### **Work performed by the Supervisory Board committees in fiscal 2014**

The two Supervisory Board committees (the Presiding and Audit Committees) also continued their work during the period under review, thus helping the entire Supervisory Board to work more efficiently. The corporate governance report names the members and chairpersons of both committees. The chairpersons of the committees reported on the work performed by the committees during the Supervisory Board's plenary meetings.

During the meeting on March 26, 2014, 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, 2013. 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 relating to the previous fiscal year were also on the agenda. At the May 8, July 31 and November 3, 2014 meetings, the Audit Committee primarily dealt with the publication of the pending quarterly financial reports.

The Presiding Committee focused in particular on Executive Board matters at its three meetings held on March 26, November 3 and December 10, 2014.

#### **Changes in the composition of the executive bodies**

Dr. Bruse stepped down from the Supervisory Board for personal reasons as of the end of the 2014 AGM.

Dr. Kollmar also stepped down from the Supervisory Board with effect from the close of the 2014 AGM as he had reached the age limit for that office. The Supervisory Board would like to thank Dr. Bruse and Dr. Kollmar for their dedication to the company and their valued contribution over the years.

The two vacancies were filled at the 2014 AGM with the appointment of Mr. Ralph Wacker and Dr. Matthias Schüppen. The two shareholder representatives will sit on the Supervisory Board until the 2015 AGM.

#### **Risk assessment and compliance**

The Supervisory Board is satisfied that the Group's internal control system and risk management system meet the requirements of Section 91 (2) of the German Stock Corporation Law (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 it is continuously maintained and further developed.

The internal control system and the risk management system 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. During Supervisory Board meetings and personal conversations, the Executive Board informed

the Supervisory Board of the current risk situation. 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 February 20, 2014 and again after the close of the period on February 24, 2015. The entire declaration is permanently available on the company's website and is also included in the declaration on corporate governance pursuant to Section 289a of the German Commercial Code (HGB) which can be found online and in the annual report.

### **Annual and Consolidated Financial Statements for 2014**

At the AGM on May 27, 2014, the auditing company Ernst & Young GmbH, Stuttgart, was appointed auditor for the company and Group for fiscal 2014. The Chairman of the Audit Committee commissioned the company in writing with the task of auditing the accounting procedures. Before the Supervisory Board made its proposal to the AGM, the auditing company confirmed its independence in writing to the Chairman of the Audit Committee.

The Annual Financial Statements for the year ending December 31, 2014 were prepared by the Executive Board in accordance with the German Commercial Code (HGB).

The Consolidated Financial Statements for the year ending December 31, 2014 were prepared by the Executive Board in line with the International Financial Reporting Standards (IFRS) as adopted in the EU and in supplementary compliance with Section 315a HGB. The auditing company Ernst & Young GmbH, Stuttgart, audited both sets of statements along with the books and approved them without qualification.

Each member of the Supervisory Board received the audit documents for appraisal. 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 and the related party disclosures in conjunction with the audit reports. The documents were discussed at the Audit Committee meeting on March 11, 2015 and at the Supervisory Board plenary meeting of the same date, with the Executive Board and in the presence of the auditors, 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 Combined (Group) Management Report and, in particular, the forecast regarding the company's further development.

The final examination by the Supervisory Board revealed no grounds for objections. The Supervisory Board therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report prepared by the Executive Board for the year ending December 31, 2014 on March 11, 2015. The 2014 Annual Financial Statements have thus been duly approved. The Supervisory Board also examined the Executive Board's suggested appropriation of profit for fiscal 2014. It did not raise any objections and thus gives it its unqualified consent.

**Examination of the Executive Board report regarding relations with related entities (related party disclosures)**

The Executive Board prepared a report on related party disclosures for fiscal 2014. 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 the Executive Board at the time the transactions were entered into – appropriate compensation was received in respect of all transactions outlined in the related party disclosures report. Auditing company Ernst & Young GmbH, Stuttgart, 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, and
2. the performance provided by the company in respect of the transactions listed in the report was not unreasonably high.”

The Audit Committee and the entire Supervisory Board received the Executive Board's report on related party disclosures in a timely manner. The contents of the report and the assessment thereof by the auditors were read and understood by these bodies, and both documents and their results were examined and discussed with the Executive Board and the auditors. The Supervisory Board endorses the auditor's assessment of the related party disclosures report. Based on the final results of the discussions and its own examination of the related party disclosures, 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 over the past fiscal year, making a valuable contribution to the company's continued 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 11, 2015

Supervisory Board



**Hans Neunteufel**  
Chairman of the Supervisory Board

# Corporate Governance Declaration and Report

Corporate governance takes high priority at Wacker Neuson. 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. The company's mission statement is embedded within the Group and all of its 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 289a (1) of the German Commercial Code (HGB) and Section 3.10 of the German Corporate Governance Code.

### 1. Declaration of compliance pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of Wacker Neuson SE consider the German Corporate Governance Code as an important body of regulations. Both executive bodies feel compelled to comply with its principles of responsible, professional and transparent company management. They have therefore thoroughly examined the recommendations of the German Corporate Governance Code and issued the following declaration of compliance on February 24, 2015.

### Declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the 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 noncompliance ("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 February 20, 2014 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 13, 2013 and/or as amended on June 24, 2014 (as of the effective dates) and continues to comply with the recommendations of the Code as amended on June 24, 2014, 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: When setting the overall remuneration payable to individual members of the Executive Board, the Supervisory Board respects legal requirements and further ensures, in particular, that such remuneration is commensurate with each member's responsibilities and performance, as well as with the situation of the company, and that it does not exceed customary remuneration levels unless there are compelling grounds to do so.

Section 4.2.2 (2) sent. 3 of the German Corporate Governance Code also recommends that the Supervisory Board set the remuneration of the Executive Board in relation to the remuneration of senior executives and staff in general, also over time. The Supervisory Board is responsible for defining how senior executives are to be distinguished from staff in general. Compliance with this guideline, in the view of the Executive Board and the Supervisory Board, is not necessary at present to provide a concrete corridor for reasonable Executive Board remuneration levels. However, the Supervisory Board is closely monitoring developments in this area and will re-examine the possibility of complying with this recommendation at a later point in time.

3. 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.
4. 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 does it 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.

5. 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.
6. Section 5.4.1 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. Within the scope of evaluating competence, the Supervisory Board also factors in the company's international involvement, 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. In the Supervisory Board's view, it is still not necessary to specify concrete aims, which means that the Supervisory Board's goals and progress in achieving those goals are not published in the corporate governance report either. If statutory requirements are introduced in this context, the Supervisory Board will naturally comply with these within the applicable time frames.

The maximum age limit for Supervisory Board members is 75. One of the Supervisory Board members, who is a shareholder representative, exceeded this age limit of 75 years during his term of office. This Board member stepped down from the Supervisory Board with effect as of the end of the AGM on May 27, 2014.

7. Sections 5.4.2 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 Board, are therefore to be considered independent. The Supervisory Board is thus composed of a sufficient (in its opinion) number of independent members. Given the ongoing legal uncertainty surrounding interpretation of the term "independence", the company nonetheless declares non-conformance as a precautionary measure.

8. 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.
9. 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.

10. Section 6.3 sent. 1 of the German Corporate Governance Code: Share ownership by individual members of the executive bodies exceeding one percent of shares issued by the company has not been and will not be stated in the corporate governance report. The Executive and Supervisory Boards are of the view that protecting personal and family privacy takes priority here.

Munich, February 24, 2015

Wacker Neuson SE  
Executive Board and Supervisory Board

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

## 2. Corporate governance report

The 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 law, comprising two executive bodies, the Executive 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 towards third parties and manages its business in accordance with legal regulations, the Articles of Incorporation and the rules of procedure for the Executive Board. The Executive Board currently comprises three members. It is responsible for



managing the company and represents it both legally and otherwise. The Executive Board functions on the basis of joint accountability. In other words, all members of the Board are jointly responsible for all areas of company management.

The Executive Board plans the company's strategic direction 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 made to the Supervisory Board regarding all issues relating to strategy, company planning, business developments, the risk situation, risk management and compliance activities that are relevant to the company and the Group.

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

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

Mr. Cem Peksaglam is CEO of Wacker Neuson SE, the parent company of the Group. Mr. Martin Lehner is Deputy CEO. 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 30 "Executive bodies" (Wacker Neuson Annual Report 2014).

→ p. 149

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 footprint, 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 benefits of diversity. The Supervisory Board also plans to propose female members where appropriate in order to ensure that women are adequately represented at Supervisory Board level.

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 Wacker Neuson SE in fiscal 2014. 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 30, "Executive bodies" (Wacker Neuson Annual Report 2014). → p. 149

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 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, Dr. Matthias Bruse and Dr. Eberhard Kollmar (the latter two until May 27, 2014). From May 27, 2014, Dr. Matthias Schüppen and Mr. Ralph Wacker will join the committee in their place. 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, Dr. Eberhard Kollmar (until May 27, 2014) – to be replaced by Mr. Ralph Wacker from July 31, 2014, Mr. Hans Neunteufel and Mr. Elvis Schwarzmaier. Mr. Kurt Helletzgruber is Chairman of the Audit Committee. As an independent financial expert, he fulfills the requirements set out in Sections 100 (5) and 107 (4) of the 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 Annual Report 2014).

### **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 shall entitle 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.

Our AGM this year will take place on May 27, 2015 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 also be included in the invitation to the AGM meeting. These named proxies are also available at the AGM to shareholders present at the AGM. It is also 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 and internal controlling systems along with the accompanying reporting mechanisms.

Specific details on risk management within the Wacker Neuson Group are disclosed in the risk report of the Consolidated Management Report (Wacker Neuson Annual Report 2014). This also includes a report on the controlling and risk management systems within accounting. → p. 81

### 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 throughout the year are permanently available and up to date on [www.wackerneuson.com](http://www.wackerneuson.com) under Wacker Neuson Group, Investor Relations. 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 Section 15a of the German Securities Trading Act (WpHG), thereby ensuring compliance with the WpHG. We use these reports to provide immediate information about securities transactions with regard to Wacker Neuson shares made by members of the Executive and Supervisory Boards as well as by natural and legal persons closely related to members of these bodies. This

information is also disclosed on the company's website ([www.wackerneuson.com](http://www.wackerneuson.com)) under Wacker Neuson Group, Investor Relations, Corporate Governance. Also under Investor Relations/IR News, we immediately publish shareholder news releases regarding the purchase or sale of significant voting rights in line with Section 21 WpHG and the holding of financial and other instruments in line with Sections 25 and 25a WpHG.

### Shares owned by the Executive Board and the Supervisory Board

The total number of Wacker Neuson SE shares held by all members of the Executive Board and Supervisory Board on December 31, 2014 was more than 1 percent of all shares issued by the company. Directly or indirectly, the Executive Board holds around 0.5 percent (348,379 shares) and the Supervisory Board around 35.4 percent (24,797,998 shares) of issued shares.

### Remuneration report in the Corporate Governance Report

We report on the remuneration system applicable to the Executive Board in our Combined Management Report under section XII "Remuneration framework". 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 31 "Related party disclosures" (Wacker Neuson Annual Report 2014). → p. 150

## 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 shapes the conduct of each and every individual in the group – from the Executive Board through management to all group employees. This mission frames the way we do business for shareholders, customers, business partners, the general public and our employees alike.

Our approach is anchored in the values you would expect from a mid-sized family-owned company, geared towards profitable sustainability. Shared values and sustainable leadership principles underlie everything we do. Values such as integrity, openness, honesty, and respect for other people and our surroundings inspire us to succeed, serve our shareholders with dedication and embrace sustainable business practices. This mission statement captures our commitment to all our stakeholders and can be seen on our website at: [www.wackerneuson.com/leitbild](http://www.wackerneuson.com/leitbild)

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 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: <http://corporate.wackerneuson.com/de-compliance.php>

### **Corporate Social Responsibility (CSR)**

Through its recently implemented sustainability management system, the Wacker Neuson Group is expressing its commitment to balance business interests with a sense of responsibility towards the environment and society as a whole. This 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. The strategy is steered and implemented centrally by a Corporate Sustainability Officer and Sustainability Team. Details on sustainability management at the Wacker Neuson Group are available to the public at the following link: <http://corporate.wackerneuson.com/de-nachhaltigkeitsmanagement.php>

The Wacker Neuson Group aims to continue to develop innovative, useful products 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: [http://corporate.wackerneuson.com/de-mission\\_statement.php](http://corporate.wackerneuson.com/de-mission_statement.php)

Munich, February 24, 2015

Wacker Neuson SE

The Executive Board

Cem Peksaglam  
(CEO)

Günther C. Binder

Martin Lehner  
(Deputy CEO)

This declaration on corporate governance is permanently available to shareholders on the Wacker Neuson SE corporate website at [www.corporate.wackerneuson.com](http://www.corporate.wackerneuson.com) under Investor Relations/Corporate Governance. The declaration of compliance will be revised annually. Wacker Neuson SE will make outdated declarations on compliance available on its website for a period of at least five years.

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# Combined Management Report of Wacker Neuson SE and its Group for fiscal 2014

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 315a (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 (3) of the HGB; further details are disclosed in section "V. Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB)." → p. 62

The risks and opportunities facing Wacker Neuson SE cannot be differentiated from those facing the Group.

## I. The Wacker Neuson Group

- A global leader in light and compact equipment
- International sales and service network backed by outstanding logistics know-how
- Focus on sustainable increase in company value

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

Wacker Neuson is the partner of choice among professional users across a variety of sectors, including construction, gardening, landscaping and agriculture, as well as among municipal bodies and companies in industries such as recycling and energy.

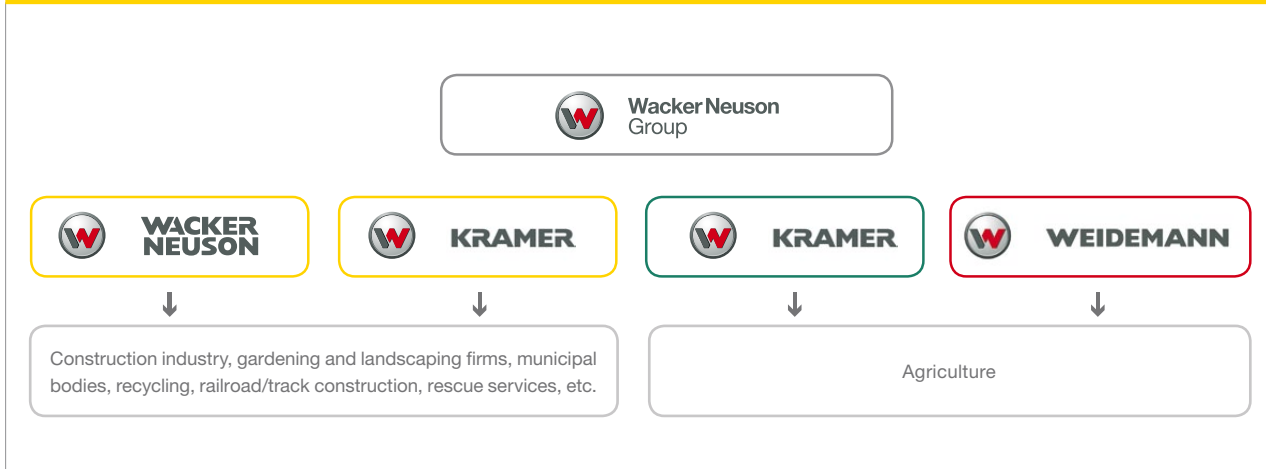
The Group's segment reporting is divided into three regions – Europe, the Americas and Asia-Pacific.

The Group also reports revenue according to the following three strategic business segments:

- Light equipment, with the business fields:
  - Concrete technology
  - Compaction
  - Worksite technology
- Compact equipment:
  - Excavation technology
  - Material handling
- Services (including spare parts, maintenance and used equipment)

Wacker Neuson Group is the organization's umbrella brand, used for all Group-wide communications. The Group distributes its products and services under the three separate brands Wacker Neuson, Kramer and Weidemann. The broadest portfolio, light and compact equipment, is distributed worldwide under the Wacker Neuson brand. Under the Kramer brand, the Group distributes all-wheel drive wheel loaders, tele wheel loaders and telescopic handlers via an extensive dealer network. The Weidemann brand is a by-word for long-standing expertise and experience in the agricultural sector. The company uses a specialist dealer network to distribute its compact, articulated Hoftracs®, wheel loaders, tele wheel loaders and telescopic handlers.

## Group brands



### Organizational and legal structure

Wacker Neuson SE is a European company 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. Forty-nine companies, including the holding company, are fully consolidated in these statements.

Wacker Neuson SE operates as a management holding company with a central management 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 houses various Group functions. Regional presidents each have full responsibility for their designated sales region and report directly to the Group's Executive Board – as do the executive bodies of the manufacturing affiliates.

With the exception of Kramer-Werke GmbH and Weidemann GmbH, which operate under their own brands and names, all operating affiliates worldwide trade under the common name of Wacker Neuson.

Please refer to the section entitled "General information on accounting standards" in the Notes for detailed information on the legal structure. → p. 110

### Corporate governance and value management

As a centralized function, the controlling department of the holding company Wacker Neuson SE is responsible for the Group's internal controlling instruments. It steers and monitors deviations between "as is" and "to be" figures, primarily based on the development of revenue and profit reported by affiliates, as well as preparing key performance indicators at Group level for the Executive Board. The controlling instruments are adapted where necessary in the process 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 made by management committees. These committees include members of the Executive Board, regional presidents, affiliate managers, market developers plus senior employees from research and development, product management, quality management, sales and service, marketing, controlling, treasury and strategic procurement.

The overarching aim of the Group's management strategy is to create a lasting increase in company value. The Group has invested heavily over the past few years to achieve and maintain long-term growth. Its most important key performance benchmarks and targets are revenue, which also impacts market

## Performance indicators (5-year period)

as a %	2014	2013	2012	2011	2010
Revenue in € million	1,284.3	1,159.5	1,091.7	991.6	757.9
EBITDA margin	15.3	13.2	13.0	16.4	10.3
EBIT margin	10.6	8.2	7.8	12.5 (11.4) <sup>1</sup>	4.8
Average working capital/revenue	38.4	39.2	37.9	32.2	32.1
Average capital employed/revenue	69.9	74.1	72.7	65.3	70.1
ROCE II	10.8	7.7	7.6	12.5 <sup>1</sup>	5.2
Equity ratio (before minority interests)	69.9	70.7	68.0	74.2	80.6
Gearing	17.7	18.9	23.4	10.0	1.7
Free cash flow in € million	21.5	56.7	-86.3	-61.9	-38.8

<sup>1</sup> Adjusted for write-ups on intangible assets in 2011 (brand) (EUR 10.8 m).

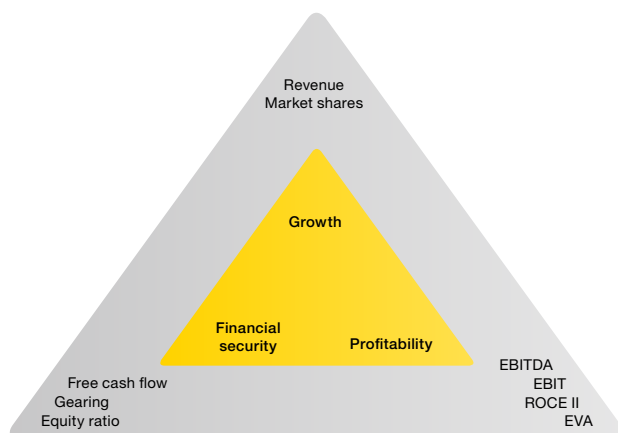
share development; profit before interest, tax, depreciation and amortization (EBITDA); and profit before interest and tax (EBIT) – each in absolute terms and as a percentage of revenue.

The Group also governs its dividend payment policy, financing structure and return on capital employed. It uses two indicators for this purpose: average working capital in relation to revenue, and return on capital employed after tax (ROCE II), which shows how efficiently the Group uses its capital (average capital

employed). The results are used to determine the economic value added (EVA). The balance sheet performance indicators for the Group also include equity ratio. The Group's treasury department controls financing by monitoring net financial debt and gearing. Free cash flow is also 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.

## Performance indicators at a glance



In addition to these financial performance indicators, the Wacker Neuson Group regularly monitors and analyzes key leading indicators for operational business trends. 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, especially in the US.

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 uses these indicators to respond early to global economic developments and dynamically adapt its course accordingly.



## II. General background

### Overall economic trends

- Unchanged growth in global economy
- Eurozone out of recession
- Euro down in value against numerous currencies

According to International Monetary Fund (IMF) estimates, global gross domestic product (GDP) rose by a solid 3.3 percent in 2014, keeping it level with the previous year. While the economy in the industrialized markets showed a clear upturn, with growth of 1.8 percent, the emerging economies recorded a slight drop in growth.

The eurozone emerged from a two-year recession in 2014, with economic output increasing by 0.8 percent. Alongside the continued easing of monetary policy by the European Central Bank (ECB), this was supported by significant depreciation of the euro in the second half-year, which particularly benefited export-oriented economies. The substantial drop in oil prices towards the end of the year also had a positive economic impact. However, subdued mid-term prospects and the resulting reluctance to invest precluded a higher rate of growth.

The German economy proved to be a key growth driver within the eurozone in 2014, expanding by 1.5 percent. In addition to the weaker euro, industry benefited from decreasing energy and raw materials prices. Spain also emerged from the recession, with very positive GDP growth of 1.4 percent. Italy, on the other hand, saw another decline in economic output – although at 0.4 percent, this was much more moderate than in the previous two years.

Thanks to strong domestic demand, the US became one of the growth drivers of the global economy during 2014. After a weak first quarter, both consumer spending and corporate investment picked up. Even the rather more restrictive monetary policy brought in again by the US Federal Reserve did nothing to dampen this trend. Overall, the US economy expanded by 2.4 percent relative to the previous year.

China played a particular role in the growth of emerging economies, which was nevertheless below previous years at 4.4 percent. Slightly restrictive lending and investment policies slowed growth in China somewhat, although momentum is still strong. In South America, though, weak domestic consumption

### Real GDP

Change from previous year as a %	2014	2013
World	3.3	3.0
Eurozone	0.8	-0.4
Germany	1.5	0.5
USA	2.4	1.9
Latin America	1.2	2.6
China	7.4	7.7
Russia	0.6	1.5
Middle East and North Africa	2.8	2.4
South Africa	1.4	1.8

Source: IMF, January 2015.

and falling raw materials prices had a particular impact on Brazil – the region's largest market. Meanwhile, Russia was hit hard by economic sanctions in connection with the Ukraine conflict and the devaluation of the ruble.

Looking at the performance of key currencies, the euro declined appreciably against the US dollar, in particular, during the second half of the period. This development reflects the ECB's expansive monetary policy and the reinvigorated US economy. Various currencies in the emerging markets<sup>1</sup>, such as the Indian rupee

### Performance of key currencies against the euro

(End of year rates)

1 euro equals	2014	2013	Change as a %
US dollar (USD)	1.2141	1.3791	-12.0
Swiss franc (CHF)	1.2024	1.2276	-2.1
British pound (GBP)	0.7789	0.8337	-6.6
Japanese yen (JPY) <sup>1</sup>	145.23	144.72	0.4
Australian dollar (AUD)	1.4829	1.5423	-9.9
Brazilian real (BRL)	3.2207	3.2530	-1.0
Hong Kong dollar (HKD)	9.4170	10.6933	-11.9
Indian rupee (INR)	76.7190	85.1000	-9.8
Canadian dollar (CAD)	1.4063	1.4671	-4.1
Russian ruble (RUB)	72.3370	45.3246	59.6
South African rand (ZAR)	14.0353	14.5660	-3.6

Source: Notes to the Consolidated Financial Statements, p. 115.

<sup>1</sup> Source for yen: European Central Bank.

<sup>1</sup> The term "emerging markets" refers to 35 countries according to the Dow Jones definition: Argentina, Bahrain, Brazil, Bulgaria, Chile, China, Colombia, Czech Republic, Egypt, Estonia, Hungary, India, Indonesia, Jordan, Kuwait, Latvia, Lithuania, Malaysia, Mauritius, Mexico, Morocco, Oman, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Slovakia, South Africa, Sri Lanka, Thailand, Turkey, United Arab Emirates.

and South African rand, also strengthened against the euro. However, the ruble's dramatic decline meant the euro was almost 60 percent higher than the ruble at the balance sheet date.

## Overview of construction and agricultural industries

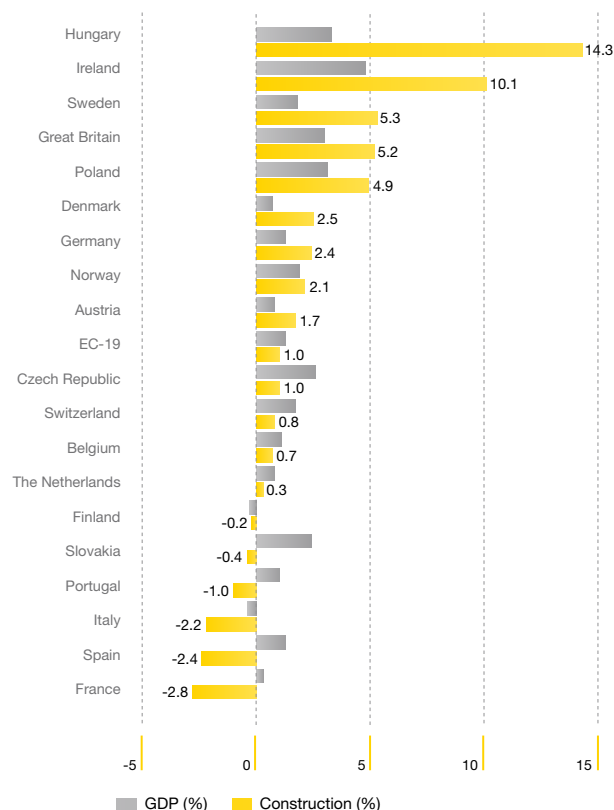
- Growth in European and North American construction
- Low momentum in emerging markets
- Downturn in European agricultural technology sector

2014 again called on manufacturers of construction and agricultural equipment to display a high degree of flexibility in manufacturing, sales and logistics as the different sales regions and product categories developed at different paces, coupled with a tendency for customers to place orders at increasingly short notice. The first six months of the year were largely positive, but the mood in several key markets for the Wacker Neuson Group dampened as the year drew to a close.

According to Eurostat, the construction industry in Europe saw a 2.5-percent increase in production to November 2014, underpinned by solid growth in overground projects. Sweden and Hungary recorded the strongest growth here. However, Slovenia, Italy, Portugal and Slovakia experienced significant downturns. For Germany, Euroconstruct estimates growth of 2.4 percent. According to data from the Committee for European Construction Equipment (CECE) and the German Engineering Federation (VDMA), construction equipment manufacturers were able to derive slightly above-average benefit from this growth. While the CECE cites a 4-percent gain for European manufacturers, the VDMA estimated revenue growth for the German construction and building materials industry at 5 percent. On the German market, this corresponded to an increase of almost 10 percent.

In North America, the unexpectedly positive economic development also boosted the region's construction industry. Commercial construction saw a continuation of the previous increase in demand from the energy sector, although this leveled off towards the end of the year. And, as in the previous year, the mood in residential real estate was upbeat. Rental companies and dealers also reported increased business on the back of rising demand from the construction and industrial sectors. Against this backdrop, construction equipment manufacturers were also able to increase sales on the North American market.

Construction and economic growth (Europe) 2014



Source: Euroconstruct, November 2014.

By contrast, market development in the emerging economies was considerably more muted. Rising demand for construction equipment in Southeast Asia could not compensate for disappointing development in the two Asian heavyweights, China and India. China remains the largest market for construction equipment with a global market share of 29 percent, but suppliers are now facing several structural challenges. Increased inventories of relatively new equipment accrued over the past few years are now dampening demand for new equipment and the market is struggling with significant excess capacities. More restrictive recent lending policies are also a frequent cause of difficulties in financing construction projects and new equipment purchases. As a result, the Chinese market is estimated to have contracted at double-digit rates again in 2014. In India, the positive mood following elections in early 2014 failed to translate into an upswing in the economy – or, therefore, into increased demand for construction equipment. On the South American markets, development is primarily being hindered by an uncertain investment environment caused by the political climate. Here, again, a decline in the high single-digit or low double-digit range is expected.

In Australia, demand for construction equipment picked up towards the end of the year. However, the prices of many industrial metals remain low, continuing to dampen investment from customers in the mining industry.

### Apparent end to agricultural boom

In the agricultural sector, economic assessments – and thus willingness to invest – are closely linked to input and commodity price trends, political developments and the general competitive situation. The financial situation on 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.

After years of sustained high investments in agricultural machinery, manufacturers were confronted by a significant drop in demand during the period. According to estimates from the European umbrella association of the agricultural machinery industry (CEMA), sales in Europe fell by 5 to 10 percent during 2014. This is primarily due to the fall in prices of numerous agricultural commodities and the associated reluctance of landholders to invest. In addition, the export sanctions against Russia in connection with the Ukraine crisis had a severe impact on many agricultural machinery manufacturers.

In 2014, customers continued to focus on modern technology solutions that make field and yard work more cost effective, reflecting the increasing industrialization of agricultural operations.

### General legal framework

- Protection of users and the environment
- Ongoing integration of new regulations in internal workflows
- New Euro 5 emission standard holds challenges for medium term

As a global manufacturer and provider of light and compact equipment with operations around the globe, the Wacker Neuson Group has to observe numerous national and international statutory guidelines governing environmental and user protection. These include provisions regulating exhaust gas emissions and ergonomics as well as noise and vibration-induced impact.

At the Wacker Neuson Group, the product portfolio is continuously reviewed and adapted to ensure compliance with new requirements and harmonized standards and norms. The aim is always to integrate new regulations as promptly as possible in the relevant processes.

### Emission standards for light and compact equipment

Statutory exhaust emission regulations have a major impact on the sale of compact equipment. As of 2012, the TIER IV interim and TIER IV final emissions regulations are effective in the US (mandated by the Environmental Protection Agency, EPA). In Europe, stages 3b and 4 of Directive 97/68/EC are in force. These emission stages apply to diesel engines in non-road mobile machinery – in other words, construction equipment, forklifts and agricultural machines. The specific compliance dates vary depending on engine power and individual market requirements. The Group has already equipped some of its compact equipment models with compliant diesel engines. Components such as engines, cooling systems and exhaust gas treatment systems have yet to be modified.

A new phase of exhaust emission legislation for non-road mobile machinery commenced in September 2014 with the European Commission's final draft of the Euro 5 stage of its emission standards. For the first time, this includes power categories under 19 kW and over 560 kW. The new count and weight limits for particles are also even lower than the strict US standards already in place and will probably necessitate widespread usage of closed diesel particulate filter systems. These new limits are expected to apply to machinery brought into circulation from January 1, 2019 (power class < 56 kW and >= 130 kW) and January 1, 2020 (power class >= 56 kW and < 130 kW). At just 18 months, the transition period is also set to be substantially shorter than for stages 3b and 4.

Complying with the new regulations will entail significant outlay on the part of the Wacker Neuson Group. On one hand, a large part of the construction equipment portfolio will now be subject to European exhaust emission legislation for the first time. And on the other, integrating diesel particulate filters will require a modified design for many machines.

In addition to exhaust emission legislation, the Group also made efforts to comply with new product standards in other areas during 2014. These include the RoHS 2 directive<sup>1</sup>.

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

<sup>1</sup> RoHS = Restriction of the use of (certain) hazardous substances.

## Competitive position

- Competitive landscape remains fragmented
- Differentiation through high product and service quality
- Market position further strengthened

The global construction equipment market, which is the Wacker Neuson Group's competitive landscape, is very heterogeneous. The majority of the Group's competitors offer either light equipment or heavy equipment (machines weighing over 15 tons), or on a combination of compact and heavy equipment.

The Wacker Neuson Group's combination of light and compact equipment is one of the main factors that sets it apart from the competition. The Group's machines are aimed at professional users. The compact equipment segment, which comprises versatile, efficient machines weighing up to 15 tons, grew significantly through the merger between Wacker Construction Equipment AG and the Neuson Kramer Group in 2007. It has since been possible to offer a much broader portfolio of products via the Group's highly efficient, international sales and distribution network.

In the light equipment segment, the Group faces a variety of competitors, including Ammann, Bornag, Dynapac, 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 and Yanmar. Some international heavy equipment manufacturers such as Komatsu or Volvo CE also offer compact equipment and are therefore part of the competitive landscape.

Since the acquisition of Weidemann GmbH in fiscal 2005, the Wacker Neuson Group has also expanded its presence in the agricultural machinery sector. Weidemann-branded articulated wheel loaders and telescopic handlers enjoy a leading position in the Central European agricultural market. Kramer has also been building upon 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, Thaler, Manitou and JCB.

### Formation of third strategic alliance

Strategic alliances play a key role for the Wacker Neuson Group, enabling it to open up new sales channels or make targeted additions to its product portfolio.

## Claas

Group member Kramer-Werke GmbH develops and manufactures powerful, versatile telescopic handlers for the agricultural industry. These are distributed by Claas Global Sales GmbH, a leading German agricultural machinery supplier, under the Claas brand. This cooperation has been in place since 2005.

## Caterpillar

Wacker Neuson and Caterpillar Inc. (Peoria, USA) entered a long-term strategic alliance in 2010. Wacker Neuson develops and manufactures mini excavators with a total weight of up to 3 tons exclusively for Caterpillar. Caterpillar distributes these machines under its own brand via its sales network, with the exception of Japan.

## Wirtgen/Hamm

Wacker Neuson formed another strategic alliance to enable product sourcing from a leading manufacturer on February 1, 2015, with the Wirtgen Group. Hamm AG, a Wirtgen Group member, will manufacture tandem rollers in the 1.8 to 4.5-ton category and compactors weighing up to 7 tons in line with technical and design specifications developed by Wacker Neuson in 2014. This long-term cooperation will close gaps in the Wacker Neuson product portfolio and round off the Group's offering in the soil and asphalt compaction segment. The rollers produced by Hamm will be distributed via the Wacker Neuson sales network, initially focusing on markets in Germany, Austria and Switzerland. Further down the line, the plan is to take the Wacker Neuson range into global distribution.

### A leading global manufacturer

The Wacker Neuson Group's strong market position is built on outstanding product and service quality, backed by comprehensive product development and manufacturing know-how and an efficient sales 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 an attractive price/performance ratio. Customers generally prefer a single point of contact to the manufacturer, since this greatly simplifies processing and administration. The Wacker Neuson Group responds to this requirement by offering its broad portfolio of light and compact equipment to the customer as a one-stop shop.

### Changes in the competitive landscape

The key trends in the Wacker Neuson Group's competitive landscape observed in previous years continued in fiscal 2014:

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

Terex continued streamlining its product portfolio during the period, selling 51 percent of its ASV affiliate to Manitex. Terex and Manitex will thus pursue ASV's skid steer loader business as a joint venture. Meanwhile, Yanmar and Kobelco have expanded their cooperation in the mini excavator segment. This will see Yanmar's micro and mini excavators (0.5 to 2.6 t) distributed internationally under the Kobelco brand. In return, Kobelco will supply Yanmar with 2 to 5-ton mini excavators for the Japanese market. The equipment rental segment recorded another period of strong momentum. Ramirent and Zeppelin Rental have announced the successful closing of their joint venture, Fehmarnbelt Solution Services. The cooperation between these two rental service providers on the major Fehmarn Belt Fixed Link project beginning in summer 2015 has thus been contractually confirmed. And French rental chain Kiloutou announced five acquisitions in the course of the year – three in its home market and two in Poland. At the same time, its French competitor Loxam acquired Dutch rental chain Workx.

#### 2. Asian suppliers pressing forward with global expansion

Chinese companies, in particular, are pursuing expansion strategies that are sometimes aggressive. Sany is planning to enter the European market with five excavator models (7.5 to 33.5 t) produced in China, for instance. And Zoomlion acquired a 35-percent stake in Dutch company Raxtar, which manufactures construction hoists. Meanwhile, XCMG, the number-three Chinese provider, opened its first plant outside China. Located in Brazil, this will produce excavators, bulldozers, wheel loaders and cranes for the South American market, with a capacity of 7,000 units. XCMG is also taking a new approach to product distribution by collaborating with Chinese e-commerce giant Alibaba. Finally, following the acquisition of Japanese manufacturer Tacom, Hitachi is launching a portfolio of compaction equipment on the European market.

#### 3. Establishing production capacities in emerging markets

As part of its measures to boost profitability, Volvo CE has decided to discontinue development and production of its Volvo-branded backhoe loaders and motor graders. These products will instead be manufactured by Volvo CE's Chinese company, SDLG, in the future. As a result, a Volvo CE plant in Wroclaw, Poland, will be closed. Caterpillar is also planning to relocate parts of its German engine production to China.

Due to weak demand in Europe, Korean company Doosan has announced the closure of its Belgian production plant for excavators and will instead supply customers directly from South Korea. In November 2014, British company JCB opened two new plants in India, where a staff of up to 1,000 will produce components, skid steer loaders and telescopic handlers for the local market. At the same time, Terex announced investments of up to USD 200 million in new production capacities in China.

The above changes in the competitive landscape had no significant impact on the Wacker Neuson Group.

#### Stronger market position despite difficult conditions

The Wacker Neuson Group was able to expand its market share both nationally and internationally during the year under review. This was aided by the Group's strong position in the comparatively robust markets of Europe and North America. The Group also continued to benefit from its innovative strength and flexibility, excellent product and service quality, reliable spare parts business, streamlined business processes, strong financial position and independence. Its established global sales network and increasing presence in markets other than construction and agriculture also offer growth potential for the coming years, in terms of both light and compact equipment sales and expansion of the service business.

### III. Business trends in 2014

- Strong business performance
- Revenue and EBITDA targets for 2014 achieved
- First compact equipment production outside Europe

#### General statement on business performance

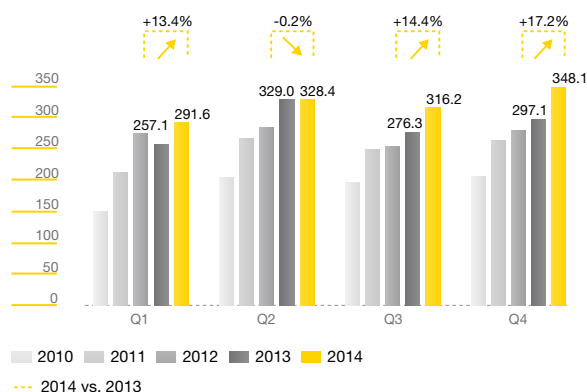
Business for the Wacker Neuson Group developed positively once again in 2014. Revenue rose 10.8 percent, from EUR 1,159.5 million in the previous year to a record high of EUR 1,284.3 million. Adjusted by currency effects, this corresponds to an increase of 11.9 percent.

This increase was primarily fueled by positive business trends in North America and the Group's strong revenue in Europe, with markets such as Germany, Austria, Poland, the Netherlands, the UK and Russia playing a significant role here. The Group increased overall sales of light and compact equipment in Europe and North America, in particular. This positive development shows that the measures implemented by the Group to increase penetration in core markets are having an effect. The Asia-Pacific region also recorded significant revenue gains.

Every business segment contributed to growth in fiscal 2014. Revenue in the compact equipment segment rose at an above-average rate. This is a result of the Group's strategy to increasingly distribute compact equipment via its global sales and distribution network for light equipment. As expected, the segment increased its share of overall revenue.

With the exception of Q2, revenue for each quarter showed double-digit growth relative to the previous year's figure. Revenue in Q2 2013 had been particularly high in the wake of bauma, the Munich-based construction equipment trade show. Development in the fourth quarter of 2014 was also positive, with a 17.2-percent rise in revenue.

**Quarter-on-quarter comparison: revenue 2010-2014**  
in € million



The Wacker Neuson Group's EBITDA margin<sup>1</sup> for the year as a whole was 15.3 percent, over 2 percentage points higher than the previous year (2013: 13.2 percent). The Group increased its EBIT margin<sup>2</sup> from 8.2 to 10.6 percent – despite also expanding its position in some extremely competitive markets.

#### Comparison between actual and projected performance

In March 2014, the Executive Board forecast that Group revenue for the year as a whole would rise to between EUR 1.25 and 1.30 billion. The EBITDA margin was expected to lie between 13.0 and 14.0 percent, and the EBIT margin between 8.0 and 9.0 percent. Thanks to a favorable regional and product mix of light and compact equipment, continued progress in

execution of the Group's strategy and the success of ongoing cost and process optimization measures across all lines of business, profitability in the first nine months of 2014 exceeded these forecasts. In light of this, the Executive Board revised its profit forecast upwards in November 2014 and increased its projections for the EBITDA margin to between 14.5 and 15.5 percent and for the EBIT margin to between 10.0 and 11.0 percent. The revenue forecast remained unchanged. The Group successfully achieved these adjusted targets.

#### Healthy financials and assets

The Wacker Neuson Group's financials and assets remain strong, with a high equity ratio (before minority interests) of around 70 percent and net financial debt of EUR 179.5 million (2013: EUR 177.2 million). This corresponds to a gearing of 17.7 percent (2013: 18.9 percent).

#### Changes to the Supervisory Board

At the AGM in 2014, Mr. Ralph Wacker and Dr. Matthias Schüppen were elected to the Supervisory Board until the next AGM, which will take place on May 27, 2015. These new appointments were required to replace two shareholder representatives, Dr. Matthias Bruse and Dr. Eberhard Kollmar, who retired from their positions.

#### Skid steer loaders for the US market

The Group has been active on the US market with its own affiliate since 1957. The headquarters of the Wacker Neuson Corporation is located in Menomonee Falls near Milwaukee, Wisconsin. The company carries out research and development activities at the site and also produces trowels for the concrete technology business field; rammers, rollers and trench rollers for the compaction business field; and generators, light towers and pumps for the worksite technology field. The Group is now building a competence center for skid steer loaders at this site. This will be Wacker Neuson's first compact equipment production facility outside of Europe. The facility will go on stream in Q1 2015, initially developing and manufacturing two high-quality, high-performance skid steer loader models and two compact track loader models. The US is the world's largest market for the loader product group.

#### Products tailored to local market needs

In 2014, the Wacker Neuson Group continued to establish and

	Forecast March 2014	Adjusted forecast: November 2014	Achieved 2014	Medium-term goal
Revenue	€ 1.25 to 1.30 bn	No adjustment	€ 1.28 bn	yoy +>10%
EBITDA margin	13.0 to 14.0%	14.5 to 15.5%	15.3%	>13%
EBIT margin	8.0 to 9.0%	10.0 to 11.0%	10.6%	>9%
Investments	approx. € 85 m	No adjustment	€ 90.3 m	–

<sup>1</sup> EBITDA margin = EBITDA/revenue

<sup>2</sup> EBIT margin = EBIT/revenue

expand its sales and service structures in emerging economies such as South America, Africa and, above all, Asia. Each of these regions has its own industry standards and product requirements.

#### Expanding customer financing options

Wacker Neuson Group customers in all industries are increasingly making use of financing options from specialist providers to maintain liquidity despite large investments. Today, a high percentage of all new machine sales in the compact equipment and light equipment segments are financed by third parties. To provide customers with more information on financing options, the Wacker Neuson Group entered a global collaboration with De Lage Landen (DLL) in July 2013. DLL is a specialist provider of financing solutions for equipment manufacturers, dealers and distributors. Customers in Germany receive financing solutions from DLL under the Wacker Neuson Finance, Weidemann Finance and Kramer Finance brands, tailored to their specific needs. On an international level, the Wacker Neuson Group also works with partners including BNP Paribas Leasing, Société Générale, TCF and Wells Fargo. In 2014, the company signed an international partnership agreement with BNP Paribas Leasing.

#### Changes to company organization and structure

The Wacker Neuson Group established new affiliates in Columbia, Peru and China during 2014 in order to further strengthen its international sales and service network.

Please refer to the Notes to the Consolidated Financial Statements for information on changes to the Group's participating interests that have had an impact on the consolidation structure.

## IV. Profit, financials and assets

The report on profit, financials and assets covers a total of 49 consolidated Group companies (2013: 49) including the holding company, Wacker Neuson SE.

### Profit

- Record revenue and increase in profit
- Efficiency improvements impact positively on profit
- Profitability increases in all regions

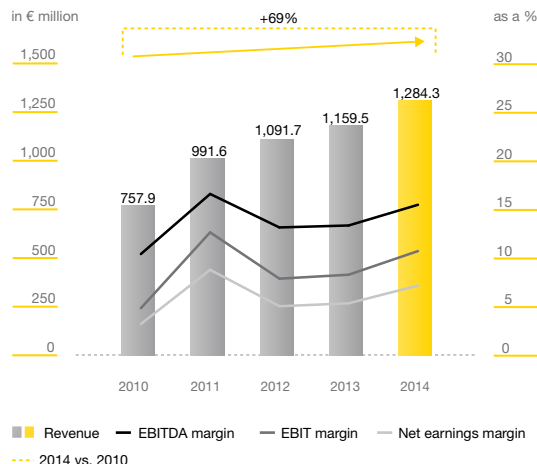
The Wacker Neuson Group successfully implemented its growth strategy in 2014. Group revenue rose by 10.8 percent to a new record high of EUR 1,284.3 million (2013: EUR 1,159.5 million). Adjusted by currency effects, revenue for fiscal 2014 rose by 11.9 percent. Overall, the Group's revenue aligns with its forecast for 2014 of between EUR 1.25 and 1.30 billion. → ①

### Profit developments

The growth in revenue is reflected in the Group's profit situation. Group EBITDA for 2014 increased by 28.0 percent to EUR 196.3 million and the EBITDA margin amounted to 15.3 percent (2013: EUR 153.4 million; 13.2 percent).

### ① Record-breaking revenue

Development of revenue and profit margins 2010 to 2014



The Wacker Neuson Group's revenue for 2014 rose by 10.8 percent relative to the previous year, reaching a new record high of EUR 1,284.3 million. Group revenue has thus increased by almost 70 percent in just four years. This positive development confirms that the Group's strategy is on the right path. With an EBITDA margin of 15.3 percent and an EBIT margin of 10.6 percent, the Group has met its raised 2014 profit forecast as announced in November and achieved an appreciable increase in profitability relative to the previous year.

The Group increasingly benefited from its ongoing efforts to reduce costs and optimize work processes across all lines of business. In combination with the rise in revenue, this resulted in increased profitability.

### Cost developments

Manufacturing costs rose 11.9 percent to EUR 903.0 million (2013: EUR 806.8 million) due to a rise in production volumes.

Gross profit for 2014 amounted to EUR 381.3 million (2013: EUR 352.7 million). The gross profit margin decreased to 29.7 percent (2013: 30.4 percent). This reflects strong growth in the compact equipment sector (+17 percent), which typically involves comparatively higher manufacturing costs but lower selling expenses.

The Group continues to keep strict control over costs. Total sales, general and administrative (SG&A) expenses and research and development (R&D) expenses grew at a slower rate than revenue, increasing by 1.3 percent to EUR 262.9 million (2013: EUR 259.5 million). The cost-to-revenue ratio improved to 20.5 percent (2013: 22.4 percent).

At EUR 170.6 million, selling expenses rose 2.3 percent on the previous year's figure of EUR 166.8 million.

In the year under review, investment in research and development recognized in the consolidated income statement rose 12.1 percent to EUR 28.8 million (2013: EUR 25.7 million). More funds were allocated in 2014 to ensure that products met the stricter legal regulations governing emissions.

A total of EUR 12.5 million in development costs was capitalized by all manufacturing companies in 2014 (2013: EUR 10.0 million). The research and development ratio, including capitalized expenditure, amounted to 3.2 percent (2013: 3.1 percent), a healthy figure for maintaining the Group's leading innovative position in many different areas.

General administrative costs decreased to EUR 63.6 million (2013: EUR 67.0 million). The administrative cost ratio thus fell to 5.0 percent (2013: 5.8 percent).

Due to a strong increase in currency gains in 2014, other operating income rose to EUR 25.5 million (2013: EUR 14.3 million).

Other operating expenses fell to EUR 7.7 million (2013: EUR 12.8 million) due to lower currency losses.

Profit before interest, tax, depreciation and amortization (EBITDA) grew at a faster rate than revenue, increasing by 28.0 percent from EUR 153.4 million to EUR 196.3 million. The EBITDA margin amounted to 15.3 percent (2013: 13.2 percent) and is therefore within the range the Group forecast for the year in November 2014.

Write-downs in 2014 totaled EUR 60.1 million (2013: EUR 58.6 million).

Profit before interest and tax (EBIT) rose 43.8 percent to EUR 136.2 million in 2014. This corresponds to an improved EBIT margin of 10.6 percent (2013: 8.2 percent) and also falls within the range projected by the Group. In the previous year, purchase price allocation (PPA) reduced EBIT by EUR 2.6 million. This effect will be so small from 2014 onwards that the Group will no longer report it separately.

The financial result amounted to EUR -6.1 million (2013: EUR -6.8 million). Further information on the financial result is available in the "Financial position" section [→ p. 53](#) and under item 5 in the Notes to the Consolidated Financial Statements. [→ p. 121](#)

Profit before tax (EBT) grew to EUR 130.1 million (2013: EUR 88.0 million). Tax expenditure was posted at EUR 38.0 million (2013: EUR 26.4 million). The tax rate thus fell to 29.2 percent (2013: 30.0 percent).

Group profit amounted to EUR 91.5 million (2013: EUR 61.2 million). This corresponds to an increase of 49.5 percent. The return on revenue thus improved to 7.1 percent (2013: 5.3 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 1.30 (2013: EUR 0.87).

### Quarterly developments

The table on the next page shows quarterly revenue and profit for 2014 and 2013. Revenue for the first quarter of 2014 increased by 13.4 percent on the previous year. In Q2 2014 (slightly below the previous year), currency fluctuations had a negative impact on revenue, while the bauma trade fair had



## Quarter-on-quarter comparison of revenue and earnings for 2013 and 2014

	Q1	Q1 vs. Q4 prev. year	Q2	Q2 vs. Q1	Q3	Q3 vs. Q2	Q4	Q4 vs. Q3	Total year
2013 revenue in € million	257.1	-7.9 %	329.0	28.0 %	276.3	-16.0 %	297.1	7.5 %	1,159.5
2014 revenue in € million	291.6	-1.9 %	328.4	12.6 %	316.2	-3.7 %	348.1	10.1 %	1,284.3
Change compared to previous year as a %	13.4		-0.2		14.4		17.2		
EBIT margin 2013 as a %	4.3		8.9		9.6		9.4		
EBIT margin 2014 as a %	7.6		12.6		12.7		9.4		

had a positive effect in the same quarter of the previous year. Development in the third quarter was positive with an increase of 14.4 percent on the previous year's figure, while Q4 revenue was 17.2 percent higher than Q4 2013.

### Financial position

- Investments secure long-term growth prospects
- Positive free cash flow
- Ratio of working capital to revenue in target range

### 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). To achieve this, 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.

#### Key financial instruments as at December 31, 2014

	Amount in € m	Due	Interest rate as a %
Schuldschein loan agreement (Tranche I)	89.8	2017	3.00
Schuldschein loan agreement (Tranche II)	29.9	2019	3.66
Borrowings from banks	73.9	n/a	variable

The Group's aim is to fund day-to-day operations with cash flow from operating activities. Surplus funds are invested in safe, highly liquid instruments where they earn the prevailing interest rates.

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

In 2012, Wacker Neuson SE placed Schuldschein loan agreements with cooperative, savings and private banks. These loan agreements were used to convert short-term borrowings into long-term borrowings, thus optimizing the Group's capital structure.

### Ensuring payment flow through liquidity management

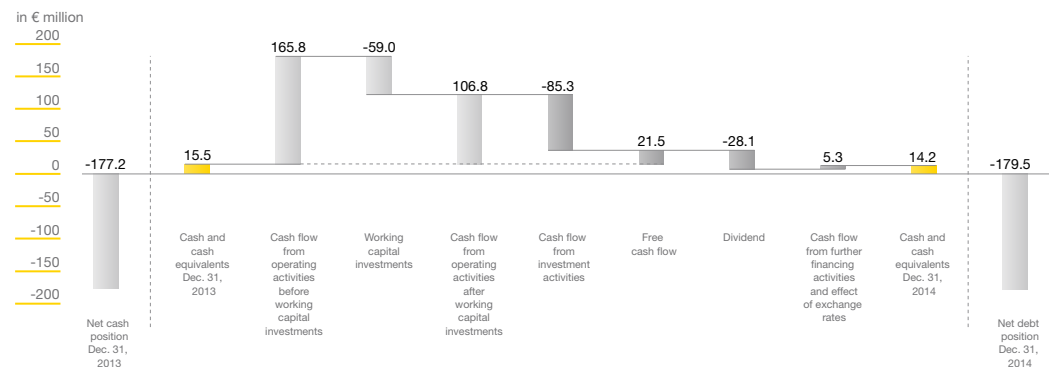
The main objective of liquidity management is to ensure that the Wacker Neuson Group has sufficient funds to meet payment obligations as they arise. To this end, the Group maintains cash pools in which most of its companies are incorporated. The participants can draw on the positive cash pool balances 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.

### Positive free cash flow

As planned, the Wacker Neuson Group financed day-to-day operations with cash flow from operating activities during the year under review. At the close of the year, cash flow amounted to EUR 106.8 million (2013: EUR 131.1 million). Cash flow from operating activities was reduced due to an increase in inventories resulting from a greater volume of business.

## ② Comfortable liquidity situation despite high investments

### Change in cash and cash equivalents in 2014



With initial liquidity of EUR 15.5 million and strong cash flow from operating activities, the Wacker Neuson Group was able to fund day-to-day operations as planned in 2014. After investments in working capital, cash flow from operating activities amounted to EUR 106.8 million (2013: EUR 131.1 million). Despite the rise in investments relative to the previous year, this resulted in a positive free cash flow for 2014 of EUR 21.5 million (2013: EUR 55.2 million). Net financial debt increased slightly to EUR 179.5 million (2013: EUR 177.2 million), resulting in reduced net debt. The dividend payout to shareholders amounted to EUR 28.1 million. At EUR 14.2 million, the liquidity situation remained comfortable as at December 31, 2014.

Cash flow from investment activities, which only covers investments that have been paid, amounted to EUR -85.3 million within the framework of planned investments realized (2013: EUR -75.9 million).

Cash flow from financing activities came to EUR -23.0 million (2013: EUR -57.4 million). The Group made a dividend payout of EUR 28.1 million in 2014.

At the closing date, 51.5 percent of liabilities were current and 48.5 percent non-current.

Free cash flow corresponds to cash flow from operating activities plus cash flow from investment activities<sup>1</sup>. The Wacker Neuson Group again generated positive free cash flow in 2014. The impact of the working capital increase on cash flow from operating activities and the rise in investments relative to the previous year meant that free cash flow decreased to EUR 21.5 million (2013: EUR 55.2 million).

### Statement of free cash flow changes

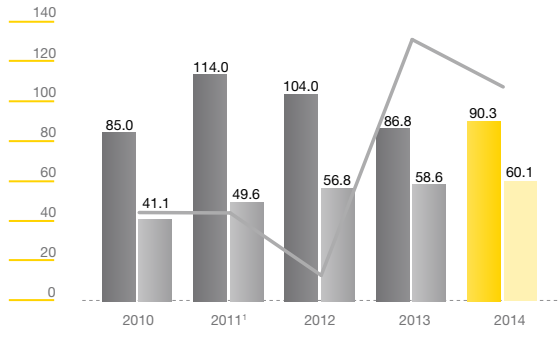
€ K	2014	2013	2012	2011	2010
<b>Cash flow from operating activities</b>	<b>106,760</b>	<b>131,066</b>	<b>13,602</b>	<b>43,581</b>	<b>44,918</b>
Purchase of property, plant and equipment	-73,816	-71,793	-93,944	-104,494	-75,618
Purchase of intangible assets	-16,457	-14,968	-10,085	-9,511	-9,344
Proceeds from the sale of property, plant and equipment, intangible assets and non-current assets held for sale	4,976	10,887	4,156	8,526	1,205
Change in consolidation structure	0	0	0	0	-1,467
<b>Cash flow from investment activities</b>	<b>-85,297</b>	<b>-75,874</b>	<b>-99,873</b>	<b>-105,479</b>	<b>-85,224</b>
Change in consolidation structure	0	0	0	0	+1,467
<b>Free cash flow</b>	<b>21,463</b>	<b>55,192</b>	<b>-86,271</b>	<b>-61,898</b>	<b>-38,839</b>

<sup>1</sup> If available, excluding changes to the consolidation structure and plus amounts accruing from the issue of new shares including the costs of raising capital.

### ③ Cash flow and investments

#### Investments, write-downs and cash flow from operating activities 2010 to 2014

in € million



In 2014, the Group invested a total of EUR 90.3 million (EUR 73.8 million excluding intangible assets). This exceeds the 2013 figure by EUR 3.5 million. Although investments exceeded write-downs by a factor of 1.5, the Group was still able to achieve a positive free cash flow of EUR 21.5 million.

<sup>1</sup> 2011 depreciation: adjusted to reflect write-ups on intangible assets in the amount of EUR 10.8 million.

■ Investments (property, plant and equipment plus intangible assets) ■ Depreciation and amortization — Operating cash flow

#### Comfortable liquidity situation

The Wacker Neuson Group was able to meet liquidity needs in 2014 through its own liquid funds. Credit lines provided additional backing. At the closing date, approximately 45 percent of these had been drawn. The slight increase in net debt did not have a noticeable impact on the Group's credit line structure. For further details on the terms and interest conditions of credit lines, please refer to item 19 in the Notes to the Consolidated Financial Statements. → p. 134

The Group had liquid funds to the value of EUR 14.2 million (2013: EUR 15.5 million) at year-end. In the main, liquid funds are held only by companies that cannot participate in the cash pool system for legal reasons. The slight drop in liquid funds is intentional, reflecting the Group's decision to reduce short-term borrowings and associated interest payments. → ②

#### Refinancing developments

The Wacker Neuson Group benefits from its outstanding credit rating, which is also acknowledged by the banks. The Deutsche Bundesbank confirmed that Wacker Neuson SE was eligible for credit in 2014.

Our aim remains to maintain our independence, directly sourcing our own diverse refinancing lines on the market.

#### Substantial investments for future growth

The Wacker Neuson Group again made substantial investments in future growth during fiscal 2014. In the period under review, the Group invested EUR 90.3 million (2013: EUR 86.8 million), EUR 16.5 million of which was channeled into intangible assets

(including capitalization of research and development activities, software, etc.). This slightly exceeded the amount originally planned (around EUR 85 million).

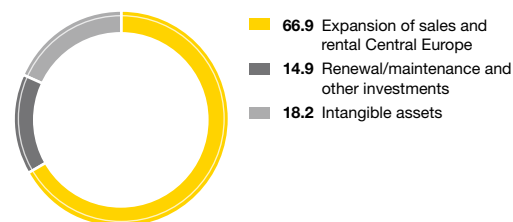
The Wacker Neuson Group invested EUR 60.4 million in the expansion of sales activities, programs aimed at increasing sales, and its own rental fleet (for Central Europe). This accounted for 66.9 percent of total investment.

Renewal/maintenance activities and other investments accounted for 14.9 percent (EUR 13.5 million) of the investment total.

The investment (property, plant and equipment plus intangible assets) to depreciation factor amounted to 1.5 (2013: 1.5). → ③

#### Working capital developments

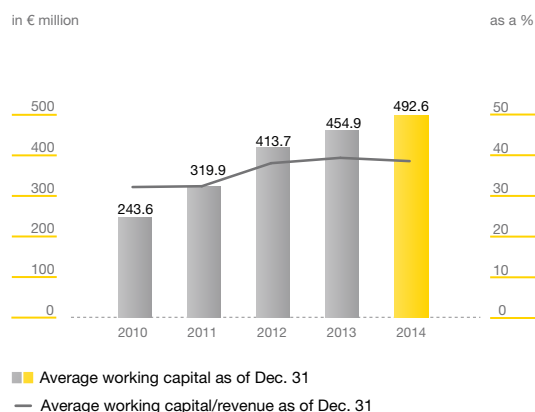
as a % of total investment



<sup>1</sup> Total investments for 2014: EUR 90.3 million (property, plant and equipment and intangible assets).

#### 4 Working capital developments

##### Average working capital 2010 to 2014



The Wacker Neuson Group aims to keep working capital as low as possible. However, average working capital increased along with revenue. The Group was able to improve the ratio of average working capital to revenue in 2014, reducing it to 38.4 percent (2013: 39.2 percent). This meant the ratio fell within the planned range.

Both due to the complexity of product parts and versions necessitated by emissions legislation and in order to enhance delivery capabilities across global markets, the Group has made targeted investments in inventory. This has led to an increase in working capital. At December 31, 2014, average working capital (average capital held in current assets) amounted to EUR 492.6 million. This corresponds to an 8.3-percent increase on the previous year's figure of EUR 454.9 million. The ratio of working capital to revenue came to 38.4 percent (2013: 39.2 percent). Working capital amounted to EUR 532.2 million at the closing date (2013: EUR 453.1 million). This represents an increase of 17.5 percent on the closing figure the previous year. If the working capital reported at the closing date is compared with annual revenue calculated on the basis of Q4 2014, the working-capital-to-revenue ratio decreased slightly to 38.2 percent<sup>1</sup>, which is in line with Group projections.

The Group increased inventory by 27.0 percent in 2014 to EUR 424.0 million (2013: EUR 333.8 million). Trade receivables climbed 5.7 percent to EUR 173.3 million (2013: EUR 164.0 million) due to the rise in revenue. → 4 In certain cases, particularly outside of Central European markets, the Wacker Neuson Group provides customers with longer payment terms in line with standard industry practices. Trade payables increased by 45.9 percent to EUR 65.2 million (2013: EUR 44.7 million).

##### Return on capital employed 2014

At EUR 897.1 million, average capital employed – in other words, the book value of all assets used for operational purposes – increased by 4.4 percent on the previous year as a result of the rise in revenue (2013: EUR 859.4 million).

##### Calculation of average working capital

in € K	2014	2013	2012	2011	2010
Inventory	424,036	333,812	360,121	274,492	183,980
+ Trade receivables	173,317	163,953	147,838	158,358	121,487
- Trade payables	65,187	44,702	51,143	62,362	36,207
Working capital	532,166	453,063	456,816	370,488	269,260
Average working capital = (opening inventory + closing inventory)/2	492,615	454,939	413,652	319,874	243,573
<b>Average working capital to revenue ratio</b>	<b>38.4 %</b>	<b>39.2 %</b>	<b>37.9 %</b>	<b>32.3 %</b>	<b>32.1 %</b>

<sup>1</sup> Note on calculation:  $532.2 / (348.1 \cdot 4) = 38.2$  percent.

The indicators presented here are also described in more detail in the “Corporate governance and value management” section (see section I. The Wacker Neuson Group). → p. 42 They are calculated as follows on the basis of the figures reported in the Consolidated Financial Statements and the Notes:

#### Calculating ROCE I and II

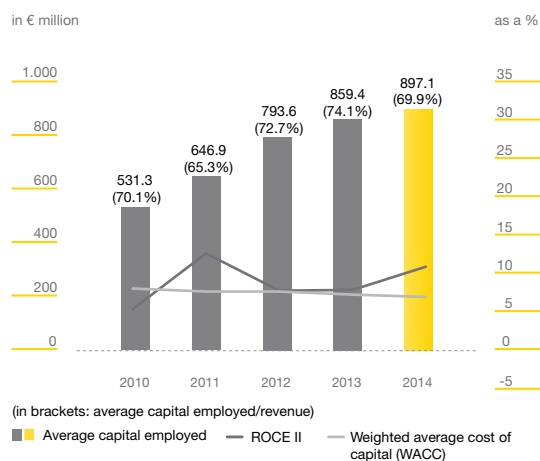
in € K	2014	2013	2012	2011	2010
EBIT	136,201	94,748	84,899	123,750	36,700
EBIT (adjusted) <sup>1</sup>	136,201	94,748	85,649	112,951	36,700
Tax ratio acc. to income statement <sup>1</sup> as a %	29.21	30.04	29.44	28.48	24.74
<b>NOPLAT<sup>1,2</sup> = EBIT – (EBIT x tax rate)</b>	<b>96,417</b>	<b>66,287</b>	<b>60,435</b>	<b>80,786</b>	<b>27,619</b>
<b>Non-current assets</b>	<b>814,067</b>	<b>792,047</b>	<b>790,208</b>	<b>742,132</b>	<b>673,903</b>
Goodwill	-237,290	-236,259	-236,603	-237,509	-236,550
Brands	-64,838	-64,838	-64,838	-64,838	-54,040
Other investments	0	0	0	-2,000	-5,478
Loans	-24	-25	-181	-310	-99
Investment securities	-1,557	-2,206	-3,449	-3,626	-3,540
Present value (finance lease obligations) of non-current assets	0	0	0	0	-4,381
<b>Non-current liabilities</b>					
Deferred taxes	-33,187	-33,124	-33,475	-30,006	-23,957
<b>Non-current assets used in business</b>	<b>477,171</b>	<b>455,595</b>	<b>451,662</b>	<b>403,843</b>	<b>345,858</b>
<b>Current assets</b>	<b>633,500</b>	<b>530,360</b>	<b>554,597</b>	<b>471,207</b>	<b>356,314</b>
Cash and cash equivalents	-14,200	-15,533	-18,867	-16,890	-36,559
Currency hedges	126	-4	0	-466	0
Interest rate swap	0	0	0	-6	-56
Trade payables	-65,187	-44,702	-51,143	-62,362	-36,207
Short-term provisions	-12,827	-12,948	-12,804	-15,151	-12,317
Current tax payable	-1,357	-310	-1,834	-1,967	-470
Other current liabilities	-75,712	-59,759	-55,438	-57,102	-43,776
<b>Net working capital</b>	<b>464,343</b>	<b>397,104</b>	<b>414,511</b>	<b>317,263</b>	<b>226,929</b>
<b>Capital employed</b> (non-current assets used in business + net working capital)	<b>941,514</b>	<b>852,699</b>	<b>866,173</b>	<b>721,106</b>	<b>572,787</b>
<b>Average capital employed</b>	<b>897,107</b>	<b>859,436</b>	<b>793,640</b>	<b>646,947</b>	<b>531,275</b>
Average capital employed as a % of revenue	69.9	74.1	72.7	65.3	70.1
<b>ROCE I (return on capital employed before tax) as a %</b> (EBIT/average capital employed)	<b>15.18</b>	<b>11.02</b>	<b>10.79</b>	<b>17.46</b>	<b>6.91</b>
<b>ROCE II (return on capital employed after tax) as a %</b> (NOPLAT/average capital employed)	<b>10.75</b>	<b>7.71</b>	<b>7.61</b>	<b>12.49</b>	<b>5.20</b>

<sup>1</sup> 2011 EBIT was reported before one-off write-ups on intangible assets in the amount of EUR 10.8 million. 2012 EBIT was reported before one-off write-downs on intangible assets in the amount of EUR 0.8 million. The tax ratio was adjusted in each case.

<sup>2</sup> NOPLAT: Net Operating Profit Less Adjusted Taxes.

## ⑤ Return on capital employed (ROCE)

### Capital employed, ROCE II and WACC 2010 to 2014



As a result of revenue growth, capital employed also increased in the year under review. The Group was able to improve the ratio of average capital employed to revenue in 2014, increasing it to 69.9 percent (2013: 74.1 percent). Return on capital employed (ROCE) shows how much return a company realizes on the total capital it employs. It is calculated by comparing the EBIT generated with the capital invested during a fiscal year. In 2014, the Group realized a return of 10.8 percent after tax (ROCE II) – a significant increase on the previous year. This ROCE II figure was higher than the weighted average cost of capital (WACC), which came to 7.1 percent. Overall, the Group thus produced economic value added (EVA) in the amount of EUR 32.4 million in 2014 (2013: EUR 5.1 million).

Return on capital employed (ROCE I) increased from the prior-year figure of 11.0 percent to 15.2 percent. ROCE II amounted to 10.8 percent (2013: 7.7 percent). → ⑤

### Producing value

The Wacker Neuson Group also includes the key indicator weighted average cost of capital (WACC) in its financial reporting. A company is producing value for its investors

### Basis for calculating (WACC<sup>1</sup>)

	2014	2013	2012	2011	2010
Risk-free return ( $r_f$ ) as a %	2.00	2.75	2.50	2.75	3.00
Market risk premium (MRP) as a %	6.00	6.00	6.00	5.5	5.00
Leverage beta ( $\beta_L$ )	1.040	1.037	1.094	1.001	1.050
Average interest-bearing liabilities, € K	264,354	288,061	219,921	108,149	88,053
Interest expense ( $D \times r_D$ ), € K	8,096	7,971	7,731	4,525	4,333
<b>Cost of debt (<math>r_D</math>) as a %</b>	<b>3.06</b>	<b>2.77</b>	<b>3.52</b>	<b>4.18</b>	<b>4.92</b>
Group tax rate (s) as a %	29.21	30.04	29.72	28.16	24.74
Share price at closing date (k) €	16.96	11.49	10.35	9.55	13.00
Number of shares (n) in thousands	70,140	70,140	70,140	70,140	70,140
Market capitalization (E), € K	1,189,224	805,558	725,949	669,837	911,820
<b>Cost of equity (<math>r_E</math>) as a %</b>	<b>8.24</b>	<b>8.97</b>	<b>9.06</b>	<b>8.26</b>	<b>8.25</b>
Percentage of financing that is equity $[E/(E+D)]$ as a %	81.81	73.66	76.75	86.10	91.19
Percentage of financing that is debt $[D/(E+D)]$ in %	18.19	26.34	23.25	13.90	8.81
<b>Weighted average cost of capital (WACC) as a %</b>	<b>7.14</b>	<b>7.12</b>	<b>7.53</b>	<b>7.53</b>	<b>7.85</b>

<sup>1</sup> WACC: (percentage of financing that is equity x cost of equity) + (percentage of financing on average that is debt x cost of debt) x (1 – tax rate).

$$WACC = (r_f + MRP \cdot \beta_L) \cdot E / (E + D) + r_D \cdot (1 - s) \cdot D / (E + D)$$

WACC stands for weighted average cost of capital. It is calculated as the mean value of equity and debt costs, whereby tax benefits are to be deducted from the cost of debt. Here, equity is taken at market value at the closing date.

In 2012, the calculation of WACC was adjusted. For the first time, the average interest-bearing liabilities were calculated precisely for each month. The previous year's figures have been adjusted in line with this new calculation.

## Calculation of the economic value added (EVA)

	2014	2013	2012	2011	2010
ROCE II as a %	10.75	7.71	7.62	12.49	5.20
WACC as a %	7.14	7.12	7.53	7.53	7.85
ROCE II - WACC as a %	3.61	0.59	0.09	4.96	-2.65
Average capital employed in € m	897.1	859.4	793.6	646.9	531.3
<b>EVA in € m</b>	<b>32.4</b>	<b>5.1</b>	<b>0.7</b>	<b>32.1</b>	<b>-14.1</b>

if return on capital employed (ROCE) exceeds WACC. For shareholders and lenders, WACC indicates the return they might expect on the funds or capital they have provided. It also gives a company a good indication of the level of return it needs to generate on prospective investments.

The Wacker Neuson Group produced value in 2014. At 10.8 percent (2013: 7.7 percent), ROCE II (return on capital employed after tax) was higher than WACC, which came to 7.1 percent (2013: 7.1 percent).

Economic value added (EVA) is calculated by multiplying the difference between ROCE II and WACC by the mean capital invested. This figure thus represents the net amount of economic profit obtained from capital employed and shows how much value a company has gained or lost in a specific year. Following on from a positive EVA result of EUR 5.1 million for the previous year, the Group was able to increase economic value added to EUR 32.4 million in the year under review.

## Assets

- Solid balance sheet structure underpins further growth
- High equity ratio compared with industry peers
- Gearing reduced

The balance sheet total rose 9.5 percent during the fiscal year to EUR 1,447.6 million (2013: EUR 1,322.4 million).

Return on assets (ROA) after tax and before minority interests increased to 6.7 percent (2013: 4.6 percent). ROA expresses the ratio between profit/loss for the period before minority interests and the average balance sheet total.

Assets rose to EUR 761.3 million (2013: EUR 749.6 million).

At December 31, 2014, goodwill amounted to EUR 237.3 million (2013: EUR 236.3 million). At EUR 117.1 million, intangible assets were above the previous year's level (2013: EUR 108.5 million).

Due to an increase in production volumes, the value of finished products in 2014 grew from EUR 240.5 million to EUR 296.6 million. Current assets amounted to EUR 633.5 million (2013: EUR 530.4 million).

### Strong return on equity plus high equity ratio

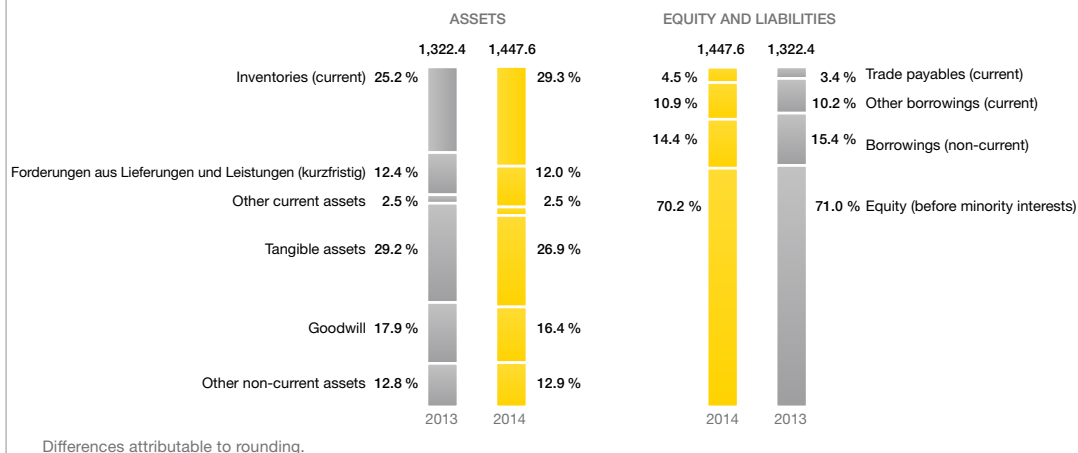
Profit for the period increased equity before minority interests to EUR 1,011.7 million (2013: EUR 935.5 million). The equity ratio before minority interests amounted to 69.9 percent (2013: 70.7 percent). It thus remains at a relatively high level for the industry. The company's share capital remained unchanged at EUR 70.14 million.

Bolstered by profit figures after minority interests, return on equity (ROE) amounted to 9.4 percent for fiscal 2014 (2013: 6.6 percent).

Non-current liabilities rose slightly by 2.9 percent to EUR 209.1 million (2013: EUR 203.2 million). Long-term borrowings fell to EUR 126.6 million (2013: EUR 130.6 million). However, long-term provisions were higher than the previous year's level at EUR 49.4 million (2013: EUR 39.5 million). Deferred tax liabilities remained virtually unchanged at EUR 33.2 million (2013: EUR 33.1 million).

**Balance sheet structure**

in € million



Total current liabilities rose to EUR 222.2 million (2013: EUR 179.8 million). This is mainly due to an increase in trade payables, short-term borrowings from banks and other short-term borrowings. Trade payables rose to EUR 65.2 million (2013: EUR 44.7 million). Short-term borrowings increased to EUR 67.1 million (2013: EUR 62.1 million). This figure also includes the current portion of long-term borrowings.

Net financial debt at December 31, 2014, amounted to EUR 179.5 million (2013: EUR 177.2 million). Gearing<sup>1</sup> decreased from 18.9 percent at the start of the year to 17.7 percent at the closing date. The Group's financing structure thus remains very strong for the industry. Please refer to item 29 in the Notes ("Risk management / Capital management") for further information on calculating net financial debt. → p. 146

**Financial structure**

Please refer to the "Financial liabilities" section, item 19 in the Notes to the Consolidated Financial Statements, for information on the financial structure, financial covenants and the terms of covenants. → p. 134

**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. This generally refers to leased, let or rented assets (operating leases). Please refer to the "Other financial liabilities" section, item 24 in the Notes to the Consolidated Financial Statements, for detailed information. → p. 139

The Group utilizes off-balance-sheet financial instruments, such as the sale of receivables, to a limited extent only. In connection with the sale of receivables, customers are offered financing

<sup>1</sup> Gearing = net financial debt/equity before minority interests.



### Calculating ROE

in € K	2014	2013	2012	2011	2010
Profit/loss after minority interests	91,512	61,167	54,881 <sup>1</sup>	77,732 <sup>2</sup>	23,934
Equity before minority interests	1,011,749	935,481	914,658	901,064	830,618
Average equity before minority interests	973,615	925,070	907,861	865,841	809,834
<b>ROE as a %</b> (profit/loss after minority interests / average equity before minority interests)	<b>9.40</b>	<b>6.61</b>	<b>6.05</b>	<b>8.98</b>	<b>2.96</b>

<sup>1</sup> 2012 figures are reported before one-off write-downs on intangible assets in the amount of EUR 0.8 million.

<sup>2</sup> 2011 figures are reported before one-off write-ups on intangible assets in the amount of EUR 10.8 million including the associated deferred tax liabilities in the amount of EUR 2.7 million.

models, in part interest-subsidized (with a negative impact on revenue), which can also be reported as factoring in the wider context. However, these schemes are only used to contribute to financing sales and are not a major source of funding for the Wacker Neuson Group.

### Judgments and estimates

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

Information about the use of estimates, assumptions and judgments made – especially in connection with the valuation

of tangible and 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.

### General overview of economic situation

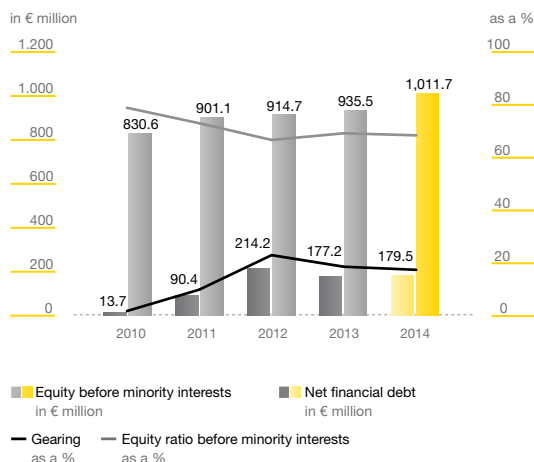
The Group again reported record revenue in 2014. Profitability was also above the previous year. With an equity ratio before minority interests of around 70 percent and gearing of 17.7 percent, the Group's financials and assets remain strong, also for the industry. At the close of 2014, the Group was again in a healthy financial position. In light of the secure liquidity situation and the fact that the Group has still not drawn on over 45 percent of its credit lines, the Wacker Neuson Group

### Net financial position

in € K	2014	2013	2012	2011	2010
Long-term borrowings	-126,593	-130,594	-134,807	-15,261	-32,218
Short-term borrowings	-66,682	-61,698	-97,853	-91,654	-5,958
Current portion of long-term borrowings	-441	-428	-437	-421	-12,109
Cash and cash equivalents	14,200	15,533	18,868	16,890	36,559
<b>Total net financial position</b>	<b>-179,516</b>	<b>-177,187</b>	<b>-214,229</b>	<b>-90,446</b>	<b>-13,726</b>

## ⑥ Healthy assets and finances

Balance sheet ratios 2010 to 2014



The Wacker Neuson Group is in a healthy financial position, with a high equity ratio of around 70 percent (2013: 71 percent) and gearing of around 17.7 percent (2013: 18.9 percent). At EUR 179.5 million, net financial debt in 2014 remained around the previous year's level (2013: EUR 177.2 million). The Group has only drawn on just under 55 percent of its credit lines and thus has sufficient financial headroom.

will be able to meet all of its financial obligations in the current year. In line with its strategy, the Group is committed to further growth – at an international level in particular – and increasing its presence in core markets. → ⑥

## V. 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 Law (Aktiengesetz). For the 2014 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 2014. 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 remain at Wacker Neuson SE together with Group-wide and/or non-transferrable contractual relationships and other legal relationships, receivables and liabilities. The holding is responsible for strategic functions of Group management. The Group Executive Board plus the following central Group-wide departments are with the holding company: Group controlling, Group accounting, treasury, legal (including patent management), internal auditing, compliance, real estate, investor relations, corporate social responsibility, corporate communication, corporate IT, corporate marketing, corporate aftermarket and corporate human resources. The company employed 41 people on average in fiscal 2014.

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

The income statement is prepared in the “cost-of-sales” format.

General and administrative expenses amounted to EUR 28.0 million in fiscal 2014 (2013: EUR 26.1 million). Other income came to EUR 36.1 million. This includes remuneration for services rendered within the Group. In 2013, other income was posted at EUR 28.1 million.

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 2014, Wacker Neuson SE received EUR 25.4 million in dividends (2013: EUR 23.7 million).

#### Income statement for Wacker Neuson SE (condensed version)

in € K	2014	2013
Revenue	0	0
Cost of sales	0	0
<b>Gross profit</b>	<b>0</b>	<b>0</b>
Sales expenses	0	0
General and administrative expenses	-27,958	-26,121
Other income	36,091	28,137
Other expenses	-2,764	-5,648
Dividends	25,374	23,685
Income from profit transfer agreement	26,651	16,208
<b>EBIT</b>	<b>57,394</b>	<b>36,261</b>
Interest and similar income	6,541	6,144
Write-downs on financial assets	-5,510	-3,942
Interest and similar expenses	-6,293	-6,029
Expenses from losses absorbed	0	0
<b>Profit before tax (EBT)</b>	<b>52,132</b>	<b>32,434</b>
Taxes on income and earnings	-11,816	-5,343
Other taxes	-118	-182
<b>Net profit/loss</b>	<b>40,198</b>	<b>26,908</b>
Profit/loss carried forward	19,340	20,488
Withdrawal from/allocation to other revenue reserves	0	0
<b>Retained earnings</b>	<b>59,538</b>	<b>47,396</b>

On April 4, 2012, Wacker Neuson SE concluded a profit transfer agreement with Weidemann GmbH, based in Diemelsee-Flechtdorf, Germany.

Income from shareholdings in companies (dividends plus income from the profit transfer agreement) thus amounted to EUR 52.0 million (2013: EUR 39.9 million).

Wacker Neuson SE realized profit before interest and tax (EBIT) of EUR 57.4 million (2013: EUR 36.3 million).

Profit before tax (EBT) came to EUR 52.1 million (2013: EUR 32.4 million). After tax, this results in profit for the period of EUR 40.2 million (2013: EUR 26.9 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, 2014, Wacker Neuson SE reported intangible assets of EUR 6.7 million for licenses and similar rights (2013: EUR 5.7 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 35.6 million at December 31, 2014 (2013: EUR 37.0 million).

The financial assets reported by Wacker Neuson SE refer to its holdings in all Group members within and beyond Germany. At December 31, 2014, financial assets amounted to EUR 724.4 million (2013: EUR 734.3 million). The slight drop resulted from capital increases of EUR 7.7 million, a reduction in capital of EUR 12.1 million and an impairment loss in line with Section 253 (3) sent. 3 of the HGB in the amount of EUR 5.5 million (2013: EUR 3.9 million).

Total assets attributable to Wacker Neuson SE amounted to EUR 766.7 million at the closing date (2013: EUR 777.0 million).

Wacker Neuson SE does not hold any inventory.

## Balance sheet of Wacker Neuson SE (condensed version)

in € K	31.12.2014	31.12.2013
<b>Intangible assets</b>	6,697	5,702
of which: licenses for industrial property rights and similar	6,643	5,100
of which: payments on account	54	602
<b>Property, plant and equipment</b>	35,627	36,997
of which: land, land titles and buildings on third-party land	33,785	35,042
of which: machinery and equipment	0	1
of which: office and other equipment	1,574	1,955
of which: payments on account/assets under construction	268	0
<b>Financial assets</b>	724,394	734,276
of which: shareholdings in affiliated companies	723,642	733,524
of which: loans to affiliated companies	750	750
of which: other loans	2	2
<b>Assets</b>	<b>766,718</b>	<b>776,975</b>
Trade receivables	4	5
Receivables from affiliated companies	255,483	199,829
Other assets	1,182	1,127
Liquid funds	6,184	18,489
<b>Current assets</b>	<b>262,853</b>	<b>219,450</b>
<b>Deferred items</b>	<b>416</b>	<b>684</b>
<b>Balance sheet total (assets)</b>	<b>1,029,987</b>	<b>997,108</b>
<b>Equity</b>	<b>796,455</b>	<b>784,314</b>
of which: subscribed capital	70,140	70,140
of which: capital reserves	583,999	583,999
of which: revenue reserves	82,778	82,778
of which: retained earnings	59,538	47,396
<b>Special tax-free reserves</b>	<b>44</b>	<b>53</b>
<b>Other provisions</b>	<b>18,082</b>	<b>13,059</b>
<b>Liabilities</b>	<b>215,395</b>	<b>199,672</b>
Borrowings from banks	63,477	54,729
Trade payables	570	553
Payables to affiliated companies	28,161	21,327
Other liabilities	123,187	123,063
<b>Deferred items</b>	<b>11</b>	<b>10</b>
<b>Balance sheet total (liabilities)</b>	<b>1,029,987</b>	<b>997,108</b>

Trade receivables due from customers and sales partners within Germany and beyond also accrue almost entirely to the operational companies. Receivables from affiliated companies of Wacker Neuson SE increased to EUR 255.5 million (2013: EUR 199.8 million). Wacker Neuson SE receivables are mainly related to its shareholdings in Group members, in particular resulting from cash pool borrowings, but also from external loans and from the Schuldschein loan agreement.

Wacker Neuson SE reported liquid funds of EUR 6.2 million at December 31, 2014 (2013: EUR 18.5 million).

Total current assets amounted to EUR 262.9 million at the closing date (2013: EUR 219.5 million). The balance sheet total came to EUR 1,030.0 million (2013: EUR 997.1 million).

At December 31, 2014, the company's equity amounted to EUR 796.5 million (2013: EUR 784.3 million). Wacker Neuson SE's share capital remained stable at EUR 70.14 million. It is divided into 70,140,000 individual no-par-value nominal shares.

Other provisions amounted to EUR 18.1 million (2013: EUR 13.1 million).

Wacker Neuson SE has significant external financial liabilities as a result of the cash pool 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 63.5 million (2013: EUR 54.7 million). External loans taken out by Wacker Neuson SE will be extended to affiliates at prevailing market conditions.

Payables to associated companies include fixed-term, inter-company loans and current liabilities from the cash pool. At the closing date, payables to affiliated companies amounted to EUR 28.2 million (2013: EUR 21.3 million).

Other liabilities amounted to EUR 123.2 million (2013: EUR 123.1 million) and include the Schuldschein loan that the company raised in 2012.

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

**Dividend trends (the figures shown relate to the fiscal year in which the dividend was realized)**

	2014 <sup>1</sup>	2013	2012	2011	2010
Total payout (€ m)	35.07	28.06	21.04	35.07	11.9
Payout ratio (as a %)	38.3	45.9	38.9	40.9	49.8
Eligible shares (in m)	70.14	70.14	70.14	70.14	70.14
Dividend per share (in €)	0.50	0.40	0.30	0.50	0.17

<sup>1</sup> Dividend proposal for the AGM on May 27, 2015.

**Dividend proposal**

The Executive Board and Supervisory Board of Wacker Neuson SE will propose a dividend of EUR 0.50 per eligible share (2013: EUR 0.40) at the AGM on May 27, 2015 (based on a total of 70.14 million eligible shares). In total, therefore, the company will be paying out EUR 35.07 million (2013: EUR 28.1 million). The distribution ratio pans out at around 38.3 percent (2013: 45.9 percent) based on Group profit for the year in the amount of EUR 91.5 million (2013: 61.2 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.wackerneuson.com/finanzberichte](http://www.wackerneuson.com/finanzberichte) (only in German).

**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

## VI. Segment reporting by region

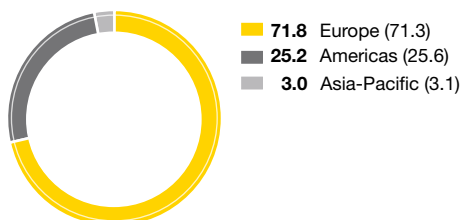
- Europe continues to build on strong growth
- North American growth compensates for weaker position in South America
- Asia-Pacific revenue up but strongly impacted by currency fluctuations

With its broad product and service portfolio, the Wacker Neuson Group not only supplies construction companies, but also dealers, rental organizations and importers across the globe.

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

The Wacker Neuson Group is happy to report that it increased revenue across all core markets and business segments in 2014.

Sales by region  
as a % (2013)



### Europe

#### Revenue growth in core market Europe

The Europe region accounts for the lion's share of Group revenue at 71.8 percent (2013: 71.3 percent). Group revenue for the period increased by 11.6 percent to EUR 921.7 million (2013: EUR 826.2 million). Profit before interest and tax (EBIT) rose significantly to EUR 117.9 million (2013: EUR 79.8 million).

Germany was again the strongest revenue driver in Europe. Business on the German market in 2014 benefited from ongoing

construction and infrastructure maintenance projects on the one hand and from the revival in residential construction on the other. New product launches and an enhanced service offering also strengthened the Group's position in the German market.

In the rest of Europe, revenue development varied from region to region. The Group increased its revenue in all major markets, especially in the UK and the Netherlands. Southern European countries like Spain and Italy also saw a return to growth. There was positive development in Eastern Europe, in particular in Poland, Hungary and Russia. Development in the Scandinavian countries was more challenging.

The fact that the Wacker Neuson Group was able to further increase its revenue in Europe in some highly competitive markets clearly shows that its product portfolio is targeted at growth segments and that its European sales strategies – including diversification into other industries in addition to construction – have yielded positive results. Revenue growth in Europe was also fuelled by rising demand across various other industries, including the gardening, landscaping and industrial sectors.

### Americas

#### Revenue at all-time high

In 2014, revenue in the Americas region rose 8.9 percent relative to the previous year to reach EUR 323.7 million (2013: EUR 297.2 million). This was the Wacker Neuson Group's highest ever annual revenue figure in the region. Exchange rate fluctuations had a negative impact on revenue in some markets, especially in South America.

The average euro/dollar exchange rate in 2014 was EUR 1 to USD 1.32 (2013: EUR 1 to USD 1.33). Adjusted by currency effects, revenue in the region as a whole grew by 10.8 percent.

At 25.2 percent, the region's share of total revenue was slightly below the previous year's level (2013: 25.6 percent). Profit before interest and tax (EBIT) increased from EUR 21.4 million in the previous year to EUR 22.0 million.

As in previous years, North America accounted for the lion's share of Group revenue in this region. In local currency, revenue in the US and Canada again grew at double-digit rates from a high level. Although current uncertainties had an impact on demand in Brazil and Chile, the Group continues to view these countries as promising markets.

<sup>1</sup> 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.

As anticipated, rental firms in the US invested in new equipment and machines (depending on the age of their existing fleets). Wacker Neuson dealers also reported increased product sales. The Group is gradually expanding its dealer network in North and South America to ensure it has the reach to distribute both its light and compact equipment offerings over as wide an area as possible here. The relocation of skid steer loader production from the Austrian town of HÖrsching (near Linz) to Milwaukee (Wisconsin) will be a major driver of future growth in the region. North America is the largest market for skid steer loaders globally.

The Group's strategy to distribute compact equipment in North and South America has had a positive impact on revenue in the region for some years now. Demand for the Wacker Neuson compact offering was particularly high in the US and Canada.

In 2014, the Wacker Neuson Group established two new affiliates – Wacker Neuson Lima S.A.C. in Peru and Wacker Neuson Bogotá S.A.S. in Colombia – to strengthen its position in South America. The Group also has long-standing sales affiliates in Brazil and Chile.

**Asia-Pacific**

**Exchange rate fluctuations impact revenue growth**

In the Asia-Pacific region, revenue was up 7.8 percent on the previous year, increasing from EUR 36.1 million to EUR 38.9 million. Here too, the weaknesses of local currencies against the euro impacted the Group's revenue figure, which actually rose by 10.8 percent adjusted by currency effects.

The region's share of total revenue was 3.0 percent (2013: 3.1 percent). Segment earnings before interest and tax (EBIT) amounted to EUR 0.9 million (2013: a few thousand euro).

While the news from China was very positive with double-digit growth, demand was more reticent in Australia and New Zealand. This was due in particular to a difficult the mining sector, which meant that customers and rental chains adopted a cautious approach to investment in machinery.

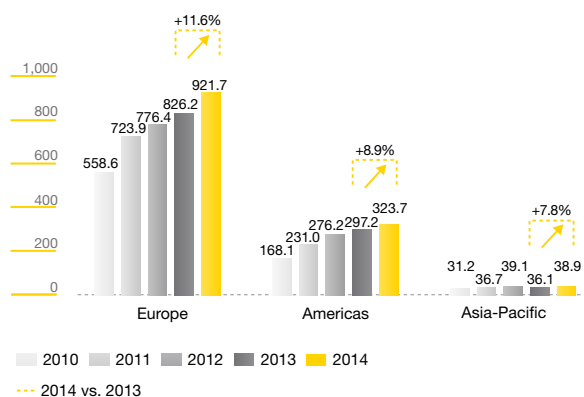
**Growing strategic importance of emerging markets**

Emerging economies such as China and India are still at the early stages of infrastructural and industrial development, which primarily requires heavy equipment – for example, to build road and rail networks as well as tunnels, power plants and pipelines. Nevertheless, demand in these geographies is growing for repair and maintenance work on infrastructure, especially in the megacities, and this trend is bolstering Group product sales.

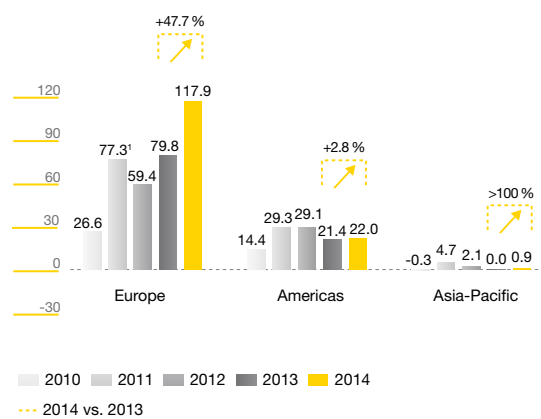
China and South-East Asia are key future markets for the Group – notwithstanding short-term uncertainties surrounding economic growth and currency fluctuations. The Group established a new affiliate, Wacker Neuson Shanghai Ltd., in China during the reporting period.

The Group has been playing an active role in the Indian market since 2008 through its affiliate, Wacker Neuson Equipment Private Ltd., based in Bangalore. Towards the end of 2013, the Wacker Neuson Group set up a new affiliate in Singapore – Wacker Neuson (Singapore) Pte. Ltd. – which acts as regional headquarters for the ASEAN<sup>1</sup> and SAARC<sup>2</sup> countries.

**Sales by region 2010 to 2014**  
in € million



**EBIT by region 2010 to 2014**  
in € million



<sup>1</sup> Adjustment for reversal of brand impairment in the amount of EUR 10.8 million.

In order to expand its product portfolio and secure a stronger competitive position in Asia, the Group started to introduce light equipment products tailored to local market dynamics in 2012. The bulk of these products are made in the region, for the region. The Group has also launched compact equipment in Asia, primarily in China.

In 2014, the Wacker Neuson Group's revenue from emerging markets (for a definition of the term, see "II. General background") [→ p. 45](#) rose by around 8 percent on the previous year. The region's share of total revenue in 2014 remained more or less unchanged at 12.0 percent (2013: 12.3 percent).

## VII. Segment reporting by business segment

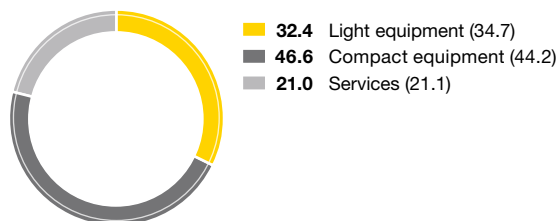
- Demand for light equipment remains high
- Growth strongest in the compact equipment segment
- Services as the ideal complement to new equipment business

### Revenue by business segments

in € m	2014	2013
Light equipment	422.3	407.2
Compact equipment	606.0	520.0
Services	273.0	248.5
Less cash discounts	-17.0	-16.1
<b>= Total revenue</b>	<b>1,284.3</b>	<b>1,159.5</b>

### Revenue by business segment<sup>1</sup>

as a % (2013)



<sup>1</sup> Consolidated revenue before discounts; differences attributable to rounding.

### Development by business segment 2010 to 2014

in € million



### Light equipment

#### Demand for high-quality products remains strong

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. The Group therefore does not report any detailed information on the order situation.

The Group's products complement each other perfectly and so customers often deploy several items of equipment simultaneously. It is committed to making high-quality equipment that excels under what are usually harsh conditions. This commitment has enabled the Group to secure its leading market position, particularly in Europe and the US.

Demand remained high throughout the four quarters of the year. The Group sees this as a positive sign of a long-term trend as the light equipment segment is traditionally an early mover in economic cycles. Light equipment revenue before discounts for the period under review rose 3.7 percent to EUR 422.3 million (2013: EUR 407.2 million). Currency effects played a bigger role here than with compact equipment as the light equipment segment has historically been bigger internationally. When adjusted by currency effects, revenue rose by 5.9 percent. This segment's share of total revenue was 32.4 percent (2013: 34.6 percent) as there was a bigger increase in compact equipment revenue.



Product innovations and new models also played a key role in the light equipment segment's positive performance over the last year. These are described in more detail in the "Research and development" section. → p. 70

### Product strategy for emerging markets

The Group is establishing a range of light equipment products tailored to the Asian market (M series). These products are robust and built to the high quality standards of the Wacker Neuson Group.

## Compact equipment

### Strong revenue growth in compact equipment segment

The compact equipment business segment covers compact machinery targeted at the construction and agricultural industries, gardening, landscaping and industrial firms as well as recycling companies and municipal bodies. The portfolio includes excavators, wheel loaders, skid steer loaders, telescopic handlers and four-wheel and track dumpers weighing up to 15 tons, as well as attachments. The Group is targeting its compact equipment portfolio at more and more markets outside of Europe.

The trend toward compact, versatile machines in other industries outside of the construction sector is gathering momentum. At the same time, Group measures to increase market penetration and distribute its offering via its existing sales network drove revenue in almost all countries where the Group distributes compact equipment. The Group produces the machinery in Austria and Germany, and recently started skid steer loader production in the US.

Compact equipment revenue before cash discounts increased to EUR 606.0 million, a 16.5-percent rise on the previous year's figure of EUR 520.0 million. This segment's share of total revenue thus expanded to 46.6 percent (2013: 44.2 percent).

Monthly order intake is a reliable indicator of demand for the Group's compact equipment. It enables the Group to plan production and capacity utilization for its production sites in the coming months. Group customers continue to place orders at short notice, however. As such, forecasts are restricted to a period of around three to four months. It is therefore crucial that these short-term orders are delivered as quickly as possible.

At December 31, 2014, accumulated order intake for compact equipment was around 22 percent higher than in the previous year (including orders for internal deliveries).

The Wacker Neuson Group develops technical innovations to continually expand and improve its product portfolio. These are described in more detail in the "Research and development" section. → p. 70

### Significant revenue growth in the agricultural sector

Revenue generated by agricultural equipment rose 25.1 percent in 2014 to EUR 196.1 million (2013: EUR 156.8 million).

This strong growth is down to more proactive go-to-market strategies by the Weidemann and Kramer brands. In 2014, agricultural compact equipment accounted for 15.1 percent of total Group revenue (2013: 13.3 percent).

At the closing date, the order intake for agricultural compact equipment was higher than in the previous year. The prospects for agriculture are not bright at present after years of major investment in machine pools. However, the increasingly global competition in the agricultural market requires landholders to make at least medium-term investments in order to raise the efficiency of their operations.

The Group continued to successfully use financing programs for compact equipment, which were provided for customers by third parties.

## Services

### Segment growth in synch with new equipment sales

The Wacker Neuson Group places great importance on customer proximity as well as intensive, individual support. The Group therefore 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. Its growth is flanking the rise in new machine sales. The Wacker Neuson Group is also strengthening its international spare parts business as part of its strategy to expand into new markets.

In 2014, the Wacker Neuson Group increased its revenue before cash discounts in the services segment by 9.9 percent to EUR 273.0 million (2013: EUR 248.5 million). At 21.0 percent, this segment's share of total revenue remained on a par with the prior-year figure (2013: 21.1 percent).

### Services resonate strongly among customers

The Group's customer-centric strategy in the traditional repair and spare parts business again yielded results in 2014. In countries with direct sales channels, the Group implemented measures aimed at reducing lead times for repairs, improved equipment pickup and delivery service from and to construction sites, and intensified training for service staff.

To round off its service offering, the Group has introduced the Wacker Neuson Used concept, which allows customers to trade in their used equipment. The used machines are then reconditioned and professionally marketed in the used equipment market. The online sales platform ([www.used.wackerneuson.com](http://www.used.wackerneuson.com)) is very popular among customers.

The Wacker Neuson rental fleet offering in Central Europe gives customers additional flexibility. When the order situation is healthy, the machines can be made available on the spot. Again in 2014, Wacker Neuson sales and service stations responded with great flexibility to customer requirements, making rental equipment available at short notice wherever it was needed.

## VIII. Other factors that impacted on results

### Research and development

- Cross-factory innovation team formed
- Premium versus Value products: product development in tune with regional customer demand
- Numerous new products and innovations

Group research and development (R&D) is geared towards the needs of the market and customers, taking national regulations and local demand patterns into account.

### Coordination through cross-factory innovation team

The Group's R&D departments are responsible for the development of new products and the ongoing evolution of existing models. The Group develops products at the following locations: light equipment products are developed in Munich (Germany), Menomonee Falls (USA), Norton Shores (USA) and Manila (Philippines); compact equipment is developed at its sites in Pfullendorf, Flechtdorf/Korbach (Germany) and Horsching (Austria). With the relocation of skid steer loader production to Menomonee Falls (USA) in 2014, the development team for this product group is also located in Menomonee Falls.

Research and development activities are coordinated to centralize technical innovation priorities for the Group, thus ensuring that synergies are used efficiently. The cross-factory "Corporate Technology Standardization & Design" innovation team is responsible for ensuring this coordination. The team also looks after product design worldwide.

### Research and development activities secure leading position

Based on a number of its products, the Group is positioned as a global technology leader. In 2014, development was 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.

Research and development<sup>1</sup>

	2014	2013	2012	2011	2010
R&D costs (€ m)	28.8	25.7	26.8	21.9	22.3
R&D share (as a %)	2.2	2.2	2.5	2.2	2.9
Capitalized expenses (€ m)	12.5	10.0	7.4	9.1	3.0
R&D costs (incl. capitalized expenses) in € m	41.3	35.7	34.2	31.0	25.3
R&D share (incl. capitalized expenses) (as a %)	3.2	3.1	3.1	3.1	3.3
Share of employees working in R&D (as a %)	rd. 8	rd. 8	rd. 8	rd. 8	rd. 8

<sup>1</sup> Previous years adapted to current booking basis.

Looking beyond functional design, development work also focuses heavily on user ergonomics. 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. They are also working on new platforms for reducing components and costs. The industry – including of course the Wacker Neuson Group – currently has to devote a significant portion of its development resources on compliance with stricter legislation, especially in the area of emissions.

That is why, in addition to developing new products, the Group will continue to focus R&D efforts on compliance with stricter environmental regulations governing combustion engine emissions – often exceeding the requirements. For further information on new exhaust emissions regulations, please refer to the “General legal framework” section. → p. 47

Activities here have a particularly high priority for the Group, which intends to maintain its high standards in the delivery of environmentally sound, safe products moving forward.

#### Product development in tune with regional customer demand

The requirements placed on products, whether in terms of equipment, drive or emissions (noise, exhaust gas, etc.), vary hugely from region to region. In regulated markets like Central Europe and North America, legislation sets out emissions thresholds. The Wacker Neuson Group therefore pays close attention to local customer needs when developing its products. The development departments around the world are working on future concepts that will enable the Group to provide demanding customers with the premium products they expect, and the more price-sensitive customers products suited to their needs.

#### Staff profile

Around 8 percent of the Group's over 4,300 employees around the globe 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 keep them on top of their demanding jobs.

#### New products and innovations in 2014

2014 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.

#### Multiple innovative product launches

In fall 2014, the Group presented the world's first battery-powered rammer with an electric motor for emission-free operations. Two versions of the rammer will be available on the market in 2015. Both allow zero-emissions operation to protect both worker health and safety and the environment. Companies can reduce their operating costs by up to 63 percent by switching from their gasoline rammer to the new battery-powered rammer. Further benefits are the simple push-button start, reduced hand-arm vibration (thanks to a new operation concept) and a maintenance-free induction motor. The battery itself impresses with its long service life, temperature stability and safety.

Wacker Neuson's new patented walk-behind concept for reversible vibratory plates in the medium size segment and 300 to 800-kilogram weight class offers an extremely low hand-arm vibration rate for the operator of less than 1.5 m/s<sup>2</sup>. In keeping with the guidelines of German statutory accident insurance and prevention associations, operators can therefore work with these vibratory plates for any length of time. As well as making

the operator's work easier, companies will therefore have no documentation obligations to fulfil.

The Wacker Neuson Group and the Wirtgen Group have formed a strategic alliance in the product group rollers for soil and asphalt compaction. Since early 2015, Wacker Neuson has been procuring rollers to its own specifications from the factory of Hamm AG in Tirschenreuth, Germany, and marketing them via its existing sales network. The model specifications were defined in 2014.

The Wacker Neuson Group has also been presenting compact equipment innovations, including the EW 100 mobile excavator. The fastest in its class, it boasts a maximum speed of 40 kilometers an hour. The EW 100 bears the ECO seal (ECO = ECOlogy + ECOonomy) and has an innovative operating concept in the form of a jog dial system, as used in the automobile industry.

The TH408 mini telehandler introduced in 2014 is the most compact model on the market and has a lifting height of 4.1 meters. With its extremely small turning radius, it is particularly at home in tight spaces. Also new is the TH522 compact telehandler with a maximum lifting height of 5.5 meters. Wacker Neuson can truly offer the right machine for every job with the addition of these new models. The four compact models in the series have lifting heights of between 4 and 6 meters.

For the US market, four new skid steer loaders were introduced in 2014. Starting from the first quarter of 2015, two compact wheel loaders and two compact track loaders will initially be manufactured at the facility in Milwaukee. The US is the world's largest market for the loader product group.

Another innovation is the Wacker Neuson WL20e wheel loader, the first to be equipped with an electric drive. When the battery is fully charged, the WL20e has a running time of up to five hours. Zero-emissions equipment is set to become extremely popular for projects in cities or inside buildings, and Wacker Neuson is one of the pioneers in this market.

At the InnoTrans international trade fair for transport technology held in Berlin in September 2014, Wacker Neuson presented its range for railroad/track construction, which included the new 8003 railway two-way excavator. With its compact dimensions, it is significantly more maneuverable than competitor models. The integrated rail travel mechanism is assembled at the front on the leveling blade and to the rear on the undercarriage. It

is hydraulically controlled. The new equipment for railroad/track construction also includes the powerful Wacker Neuson gasoline breakers for track tamping, lighting technology for railroad/track construction sites and remote-controlled vibratory plates for compacting surfaces.

In November 2014, the Group presented new excavator models for the Chinese market at bauma China. The range of compact equipment for China was increased with the addition of the EZ17 and 8003 excavators with an operating weight of 1.7 and 8.3 tons respectively. With four excavators now available in the market, Wacker Neuson is more attractive to Chinese dealers.

The Kramer-branded 5-series and 8-series wheel loader and tele wheel loader models have been completely redesigned. The torque has been increased by up to 17 percent compared to predecessor motors and fuel consumption is considerably lower.

In 2014, Weidemann introduced the epsPlus option, a hydraulic protective roof that can be raised or lowered from the driver's seat. It solves the problem of low clearance heights and makes work on site considerably easier. For operators, epsPlus offers more comfort, huge time-saving potential and greater safety. Wacker Neuson received the silver medal for this technical innovation at the 2014 EuroTier trade show.

#### **Awards underscore innovation leadership**

The design and intuitive ease-of-operation of the Wacker Neuson EZ17 Zero Tail excavator saw it singled out for both a Red Dot Design Award 2014 and a Universal Design Award 2014.

The AS 50 battery-powered rammer received the bi-GaLaBau "Green Award" gold medal at the GaLaBau trade show in Nuremberg. In addition, the dual power concept (an option in the 803 excavator) and the battery-powered rammer concept were both nominated for the INTERMAT Innovation Award. In the end, the jury deemed Wacker Neuson's dual power concept to be worthy of the Gold Award.

#### **Research and development underpin long-term success**

R&D is a core element of Wacker Neuson's overall success.

In fiscal 2014, the Group filed 30 new patents and utility models around the world (2013: 24). 30 patents and utility models were granted (2013: 22). In total, the Wacker Neuson Group owns over 365 patents and utility models worldwide. At EUR 28.8 million, research and development costs for 2014 were higher than in the previous year (2013: EUR 25.7 million).

During the period under review, the Group also capitalized costs in the total amount of EUR 12.5 million (2013: EUR 10.0 million). The relative R&D ratio (R&D share of total revenue including capitalized expenditure) came to 3.2 percent (2013: 3.1 percent).

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 access to the latest scientific insights in its areas of research.

## Production and logistics

- First compact equipment manufacturing site outside Europe
- Lean management activities in plants
- Capacity adjusted in line with growth

The Group currently has eight production facilities across the globe. It manufactures light equipment at Reichertshofen (Germany), Menomonee Falls and Norton Shores (both US) and Manila (Philippines). Cross-deliveries between the regional logistics centers provide a certain degree of natural currency hedging.

The Wacker Neuson Group manufactures compact equipment at factories in Pfullendorf and Korbach (both in Germany) and in Hörsching (Austria). The relocation of skid steer loader production at the start of the year from Hörsching to Menomonee Falls in the US marks a continuation of efforts to expand its international network of production sites. This will be the first time that the Group has manufactured compact equipment outside of Europe. The move aligns perfectly with the Group's strategic principle of developing and producing products 'in the region for the region'. North America is by far the largest and most important single market for skid steer loaders worldwide.

The Wacker Neuson Group's plant in Kragujevac (Serbia) supplies compact equipment production sites with premanufactured steel components. This optimizes production processes and enables the Group to channel its own in-depth expertise in steelwork into innovations at an early stage of development.

## Flexible production

The upswing in demand improved capacity utilization at Wacker Neuson Group production facilities in 2014. During the course of the year, the Group aligned manpower capacity with the rising order intake. A forward-looking increase in capacity has put the Wacker Neuson Group in a prime position to capitalize on further growth opportunities in coming years.

## The lean approach: continuous improvements to production and logistics processes

Over the last two years, extensive lean management activities have been implemented at several sites. The objective is to dovetail all the activities that are necessary to add value and to identify and avoid unnecessary activities. The focus of the ongoing review and improvement will be on meeting customer requirements in terms of availability, individualized solutions, quality and pricing.

By optimizing and standardizing processes, the Group can ensure that it maintains and builds on its competitive position. In 2014, the Wacker Neuson Group implemented a variety of measures to optimize and standardize production and logistics processes. In addition to investing in a powerful machine pool, production structures, material flows and intralogistics were reorganized across the Group. The Wacker Neuson Group will continue its efforts to standardize processes over the coming years.

## New concepts for reducing delivery times

Similar to the automotive industry, the Wacker Neuson Group relies on premanufactured parts that involve their own complex supply chains before they get to the Group. This especially applies to the manufacture of compact equipment. The Group made concerted efforts to reduce lead times in 2014 in order to improve delivery times. To further improve production processes, the Group jointly developed some new, forward-looking solutions with its business partners and suppliers in 2014.

The delivery timeframe for Wacker Neuson's light equipment offering – which is less dependent on supplier markets thanks to a high degree of vertical integration – remained between 24 and 48 hours for most products in 2014. Compact equipment orders were delivered within three to six weeks of order placement.

## Smooth logistics

Compact equipment is delivered straight from the respective production sites. For new light equipment, spare parts and attachments, however, the Group uses a number of logistics centers. In 2014, the Group logistics strategy focused on further improving parts and product availability.

## Sustainability

- Setting up a sustainability management system
- Energy and environmental certificates obtained
- 2015/2016 sustainability strategy

### Sustainability as part of a responsible approach to business

As a global player, the Wacker Neuson Group takes its responsibility to society and the environment very seriously. With over 4,300 employees and eight production sites on three continents, the Group's business activities have an impact around the world. Given this global reach, the Group is determined to actively step up to and shape its responsibilities.

### Implementation of energy and environment management systems at sites in Germany and Austria

The Wacker Neuson Group has successfully introduced quality management systems certified to ISO 9001 at its own locations. Building on this experience, the Group started introducing environment and energy management systems certified to ISO 14001 and ISO 50001 at its sites in 2014. This step will enable the Group not only to save energy in production processes, but also measure and control all of its production activities in greater detail.

In the medium to long term, the Wacker Neuson Group's customers, the environment and the Group itself will benefit from the results of more efficient energy use, closer monitoring of the (raw) material flows through facilities, and an optimized recycling strategy. These management systems have already been introduced at the Munich and Pfullendorf locations. In 2015, other sites in Germany and Austria will follow. Energy and environment officers have been appointed at every location. Their ongoing task will be to identify areas that could be optimized and report these to management. Sharing best practice plays a significant role here. An employee suggestion scheme has been implemented at certified locations so staff

can become more actively involved in the Group's sustainability activities. Suggestions are assessed for feasibility. This completes the PDCA cycle of the continuous improvement process. Nevertheless, the Group continues to seek ways to optimize its processes. Based on analysis carried out under the energy and environment management systems, it has implemented simple improvements to save energy in production and administration.

An important element of a professional energy and environment management system is to raise employees' awareness of energy, water use and waste. Internal training and information events will be organized to urge every employee of the Wacker Neuson Group to take responsibility for their energy use and environmental impact.

The sustainability symbol of the Wacker Neuson Group (2014)



### Pending publication of first sustainability report

As a transparent company which attaches great importance to keeping its stakeholders informed, the Wacker Neuson Group intends to start publishing a Group-wide sustainability

report on a regular basis from 2015. A first step in this direction was the publication in 2014 of the Group's sustainability brochure. This brochure contained practical examples of the sustainability measures put in place in the areas of management/strategy, HR, environment/product stewardship and corporate social responsibility.

For the upcoming sustainability report, a comprehensive system of indicators and new reporting processes have been established. The priority of each topic was identified in internal employee workshops and an extensive stakeholder survey. The Group intends to compile the sustainability report in accordance with the international GRI-G4 reporting guidelines and have it verified by an independent body.

**Internal stakeholders of the Wacker Neuson Group**



**Establishment of interdisciplinary think-tanks**

2014 saw the introduction of a company-wide networking platform and the setting up of dedicated work groups for employees, products and production. The interdisciplinary think-tanks meet regularly to discuss how individual areas of the business could be improved and to propose solutions. Each of the topics will be developed in such a way that the concept of sustainability is always to the fore.

The sustainability agenda was an important guideline for the Group's sustainability management in 2014 and will continue to have an important role.

**Basic framework of continuous improvement processes (CIP) and management systems**



**1. Setting up a sustainability management system**

A central reporting system for sustainability issues was set up using a comprehensive system of key performance indicators. It will be optimized and expanded on an ongoing basis, and it formed the basis of the inaugural 2014 sustainability report, due to be published in 2015.

Workshops, work groups and a Group-wide environmental and energy policy will raise employees' awareness of sustainability issues.

**2. Sustainable products and customer satisfaction**

Wacker Neuson has already launched a number of ECO products with positive feedback from customers. The ECO seal is to be developed further and the two Group brands Weidemann and Kramer will also receive the ECO seal. The Group will continue to drive forward product developments that focus on reducing environmental impact and maximizing energy efficiency.

The Wacker Neuson Group wants to ensure the lowest possible costs for its customers throughout a product's lifespan. Accordingly, calculating the total cost of ownership has been identified as a key way of improving customer satisfaction.

In the future, the Group will measure the energy consumption, greenhouse gas emissions, water use, ease of maintenance and suitability for recycling of products to give customers an idea of consumption levels and the associated costs.



### 3. Environmentally efficient production and logistics

The certified energy and environment management systems (ISO 50001 and ISO 14001) already in place at certain locations are to be expanded to the entire Group.

The Group intends to develop a standardized, uniform system of recording energy consumption to make production more efficient and reduce energy costs.

### 4. Employees

The Wacker Neuson Group carried out a global employee survey in 2014 and will use the findings to improve employee satisfaction. Questions on health were included so that the Group can formulate appropriate measures in a targeted way. The speedy integration of new employees is important.

The Wacker Neuson Group introduced the "INTRAMove" program to give employees the opportunity to gain international experience through relocation and to work in different departments in the interests of knowledge transfer.

### 5. Sustainable and fair business practices

An employee code of conduct has been distributed throughout the Group in eleven languages. Compliance training is regularly carried out at the Group's global locations. A system for reporting violations of compliance regulations called "Tell-it" has been made available on the corporate website. It provides employees as well as third parties (employees of suppliers, banks, etc.) with an opportunity to highlight any irregularities.

A supplier code of conduct is currently being prepared. It will contain provisions on issues like human rights, occupational health and safety, child labor, forced labor and combatting corruption. Environmental and social aspects have been added to the decision matrix for supplier audits and certification. Greater focus will be placed on these aspects during evaluations of new and existing suppliers.

### 6. Society

Continuity is the Wacker Neuson Group's main priority when choosing donation and sponsoring partners. The Group focuses donation, sponsoring and volunteering activities on training and healthcare for children and young people.

### Procurement and quality

- New procurement organization leads to greater synergies
- Improved supplier management and qualification
- Absorbing price fluctuations

### Global networking across procurement and the supply chain

The Wacker Neuson Group is active in all parts of the world. In line with corporate strategy, products are increasingly being developed and manufactured in the regions in which they are primarily marketed to best meet the requirements of customers.

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 and hydraulic and chassis components.

Globalization is still the predominant trend in procurement. This is closely linked to the huge improvement in quality of premanufactured parts sourced from countries beyond Central Europe and North America. Choosing the right procurement markets is thus becoming an increasingly important success factor in securing the Wacker Neuson Group's competitive position. As such, global procurement is positioned as the integration hub for all value creation activities.



**Reorganization of global procurement structure**

For some time now, the Group has been operating a lead buyer concept at its compact equipment production locations in Hörsching (Austria), Pfullendorf and Korbach (both Germany). Consolidating the procurement of identical or similar parts in this way has enabled the Group to negotiate more attractive purchasing terms in recent years by submitting joint tenders and coordinating supplier selection.

To leverage further synergies in procurement and involve all Group sites around the world, a new central function for procurement and quality was created in 2013. Procurement and quality organization tasks and processes were reorganized in a uniform manner. The main tasks assigned to this new central role include selective supplier management, the consolidation of purchasing volumes, the reduction of supplier numbers, and a greater focus on internationalization.

**Sustainable supplier management**

The Group has optimized production processes in recent years by maintaining close ties with key suppliers and incorporating them into production planning processes at an early stage. The Group also managed to avoid supply bottlenecks over the year under review. While developing its global supply chains, however, it identified potential areas for improvement, which it is addressing through qualification and by selectively expanding its supplier audits. In the future, dedicated employees will accompany and develop suppliers along the entire pathway from initial nomination through to series production. The focus here will very much be on prevention, ensuring that supplier mistakes do not occur in the first place. For future projects, therefore, the Group will only consider suppliers who meet its quality, time and cost requirements. In addition, the Group will focus increasingly on the sustainability performance of its supply chain.

The code of conduct for suppliers will come into effect in of 2015. It will be available on the website.

**Reacting to price fluctuations in procurement markets**

Certain raw materials like steel dropped in price in 2014. On the other hand, components like the new generation of diesel engines for regulated markets have become markedly more expensive. The Group's long-term contracts enabled it to absorb almost all price increases or pass them on the market to some extent.

**Human resources**

- Selective new hires to meet rising demand
- First global employee survey completed
- Focus on health management

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

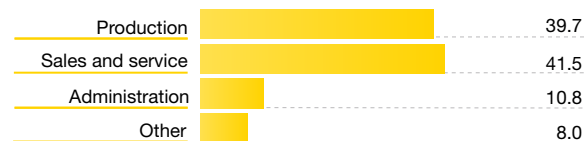
**Positive business development fuels increase in manpower capacity**

The Group increased headcount in 2014 as a result of its strong performance. Selective new hires were reported in all regions.

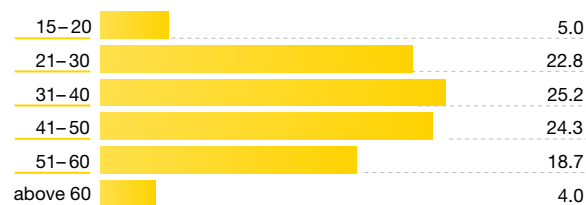
At December 31, 2014, the Group employed a total of 4,372 employees (2013: 4,157). These figures are calculated by converting the number of people working for the Group into full-time equivalents. They do not include temporary staff.

Within the Wacker Neuson Group, 3,357 (76.8 percent) of all employees were based in Europe at the balance sheet date (2013: 3,215). 745 were employed in the Americas region (2013: 696), with 270 in the Asia-Pacific region (2013: 246). Personnel costs amounted to EUR 254.3 million (2013: EUR 240.2 million).

**Employees by sector**  
as a %



**Age structure<sup>1</sup>**  
number of employees as a %



<sup>1</sup> Based on 83 percent of all employees.

**HR marketing and talent development intensified**

Qualified professional training gives young people a good and motivating start to their working lives. In 2014, the Group provided training for 181 young people in industrial, technical or business posts at Group production sites and German sales and service stations (2013: 173). The Group also provided opportunities within the framework of practical training programs flanked by studies at technical or vocational colleges. The Group’s training philosophy centers on providing experience in a wide range of disciplines, assigning individual areas of responsibility and ensuring intensive, one-to-one trainee support via contact partners in all areas. The student training quota for Wacker Neuson Group production sites over the last fiscal year was 5.0 percent (2013: 5.1 percent). In 2014, 35 trainees completed their training (2013: 37), with 35 of these offered positions in the Group (2013: 32), which corresponds to a take-up rate of 100 percent (2013: 86.5 percent).

The Group also gave young people interesting insights into Wacker Neuson by increasing the number of internships and student trainee positions across the entire Group. Furthermore, it again assigned challenging thesis topics in 2014 to support qualified graduates.

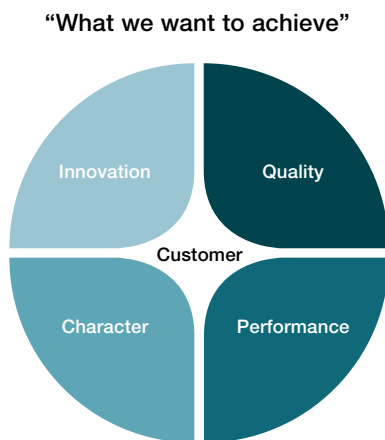
In December 2014, the Group went online with a new tool for job applicants. It is currently set up for Germany, Austria and Switzerland, but applicants from the US will also be able to use it from the first quarter of 2015.

**Training and voluntary benefits**

The Wacker Neuson Group has always placed great importance on ongoing employee development and continues to do so. In 2014, internal training and development measures focused on soft skills (mainly leadership skills but also project management and sales techniques) and technical training. Various training sessions and courses were held at the Wacker Neuson Academy in Reichertshofen during the last fiscal year. Numerous employees from the Group and from customer businesses availed of this program. In 2015, a management development program focusing on leadership, general management, change management and strategy will commence. Intensive change management training got underway in the US in 2014, with other regions to follow.

Although staff development costs were posted at EUR 0.77 million in 2012, the implementation of global HR strategy and new HR programs pushed this figure up considerably in 2013 (to EUR 1.2 million). In 2014, staff development costs decreased to around EUR 0.9 million, still above the average figure for the past three years.

**The Wacker Neuson Group’s value wheel**



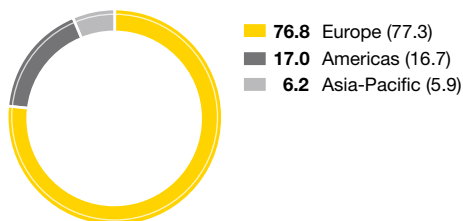
The Wacker Neuson Group’s corporate history stretches back over 165 years. The Group can trace its roots back to the mid-19th century, where the story began with a blacksmith’s shop. The customer is at the heart of the Wacker Neuson Group’s value wheel. Innovation and quality are an integral part of the Group’s corporate identity. Group customers experience these values directly through Wacker Neuson Group products and services. Looking within company walls, performance and character are defining values for both employees and the organization as a whole. These values help make up the DNA of Group employees and management teams. They steer Group success and shape the way business is done both within and beyond the company.

Number of employees (Group)<sup>1</sup> as of December 31

2014	2013	2012	2011	2010	2009	2008
4,372	4,157	4,096 <sup>2</sup>	3,514	3,142	3,059	3,665

<sup>1</sup> Number of full-time jobs (FTE).

<sup>2</sup> Newly consolidated employees as of December 31, 2012: 245

Headcount by region<sup>1</sup>  
as a % (previous year)

<sup>1</sup> Differences attributable to rounding.

Total staff development expenditure in Group production sites (83 percent of all employees) came to around EUR 0.9 million in 2014 (2013: EUR 1.2 million).

The Group again offered employees in Germany numerous voluntary benefits in 2014, 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.

## First global employee survey

Communication is one of the most important elements of good management. But communication should be a two-way street, not just directed from management to employees. The Wacker Neuson Group wants to foster a culture of dialog in the Group. That is why it decided to conduct the first global employee survey in November 2014. The Group wanted to know what issues were important to employees at a global level, where they have identified areas for improvement and to what extent they felt integrated within the company. The objective in carrying out this anonymous employee survey, which will be repeated regularly, is to identify strengths and weaknesses in terms of work and workplace conditions, see where changes need to be made and actively manage change within the Wacker Neuson Group. The Group will define and implement measures in response to the survey's findings throughout 2015.

## Occupational health management

Employee health was again in focus during the past fiscal year. A healthy and satisfied workforce is vital for the success of the Wacker Neuson Group. In summer 2014, employees at the Munich and Reichertshofen locations were asked to participate in a survey on health management and psychological stress. The first measures implemented on the basis of the findings were aimed at safeguarding and improving the health of employees at Reichertshofen. A health awareness day was organized in December. It gave employees insight into upcoming health promotion measures such as back pain prevention courses and workshops on how to combat stress. There are plans to introduce these measures in Munich in the course of 2015.

## “Train And Grow – T.A.G.” trainee program

In April 2015, the Group plans to set up a dedicated trainee program for third-level business administration and mechanical engineering students with a view to a career in the Wacker Neuson Group. The international and modular “Train And Grow – T.A.G.” trainee program is set to become a cornerstone of the Group's talent recruitment system. T.A.G. training will take between 18 and 24 months.

Human resources figures<sup>1</sup>

	Dec. 31, 2014	Dec. 31, 2013
Part-time employees as a %	3.4	3.1
Number of trainees	181	173
Quota of trainees as a %	5.0	5.1
Expenses for personnel development in € m	0.9	1.2
Average age in years	39.5	39.2
Number of men (proportion as a %)	3,018 (83.6)	2,837 (83.4)
Number of women (proportion as a %)	593 (16.4)	565 (16.6)
Number of years with the company	9.7	9.9
Fluctuation as a %	10.1	9.9
Sickness rate as a %	3.5	3.5

<sup>1</sup> Based on 83 percent of all employees (2013: 79 percent).

### **INTRAMove**

As part of its efforts to improve the internal flow of communication, the Wacker Neuson Group has introduced the "INTRAMove" exchange program. It will give employees the opportunity to gain international experience through relocation and develop their skills by working in different departments. The aim for the Group is to foster global networking and improve knowledge transfer.

### **Sales, customers and marketing**

- Successful sales of compact equipment via existing sales network
- Strong resonance at industry trade fairs
- Sales structures adapted to country-specific market structures

One of the biggest synergies from the merger of Wacker Construction Equipment AG and the Neuson Kramer Group in 2007 has been the ability to market the entire product portfolio through existing distribution channels. In 2014, this resulted in a significant rise in demand for compact equipment.

#### **Strong resonance at industry trade fairs**

Wacker Neuson presented a wide variety of new products at CONEXPO in Las Vegas, USA, between March 4 and 8, 2014. The highlight of the show was the unveiling of the new range of skid steer loaders for the North American market.

At GaLaBau 2014, the Wacker Neuson Group presented new products under the slogan "Gelbe Vielfalt, grüne Zukunft" (Going yellow for a green future) for the gardening and landscaping sector and for other sectors like municipal services. The spotlights were on zero emission equipment and the ECO seal, which is given to products that are particularly environmentally friendly (ECOlogy) and cost efficient (ECONomy). GaLaBau saw the first public unveiling of Wacker Neuson's new battery-powered rammer and WL20e electric wheel loader. The products received huge interest from both visitors and the trade press. Indeed, Wacker Neuson received an innovation award for the battery-powered rammer at the event.

Wacker Neuson was again represented at the 7<sup>th</sup> international bauma China fair held from November 25 to 28, 2014. As well as the M series product line (light equipment), two new excavator models for the Chinese market were presented at the event.

Wacker Neuson made its third visit to the bC India construction equipment trade fair in Delhi. The Group presented both new and existing products at the event between December 15 and 18, 2014. Wacker Neuson has become an established exhibitor at this major construction trade show on the subcontinent. The Group was able to establish some crucial new contacts with potential dealers and large construction companies.

#### **Expansion of global sales network**

The Wacker Neuson Group's corporate culture enables the Group to create a decentralized organization that reacts with greater speed and less bureaucracy to the needs of sales partners and customers. Sales structures are aligned with local market dynamics and different channels used to market Group products, spare parts and services, for example direct sales channels, dealer networks or retailers. In most markets, the Wacker Neuson Group works with independent dealers, and in some cases local sales affiliates support and advise major customers and dealers in these countries.

#### **Diverse customer base**

Diversification is becoming an increasingly important part of sales with a view to spreading economic risks and achieving further growth. The Wacker Neuson Group's customer base in 2014 again included construction companies (public and private enterprises), gardening and landscaping firms, municipal bodies, the energy sector (oil and gas), the industrial and agricultural sectors and rental firms. The Group generated around 9 percent of worldwide revenue during the past fiscal year with its ten largest accounts (2013: 13 percent). This does not include sales made within the framework of strategic partnerships. The Group is not dependent on individual customers to any significant degree.

#### **Individualized solutions and customer-centric strategy**

During the period under review, Group sales and service teams focused on customer acquisition, promotional measures and attractive financing models via external service providers. The Wacker Neuson Group also offered customers individualized sales and service solutions tailored to their needs and held various specialist seminars around the world. These were targeted at the Group's own sales and service teams as well as at dealers, customers and employees looking for information on the Group's vast product and service offering and how Wacker Neuson Group equipment benefits customers by maximizing process efficiencies.

## IX. Risk report

As Wacker Neuson SE is largely 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 on the overall risk situation for the Group made by the Executive Board therefore also summarize the risk situation facing Wacker Neuson SE.

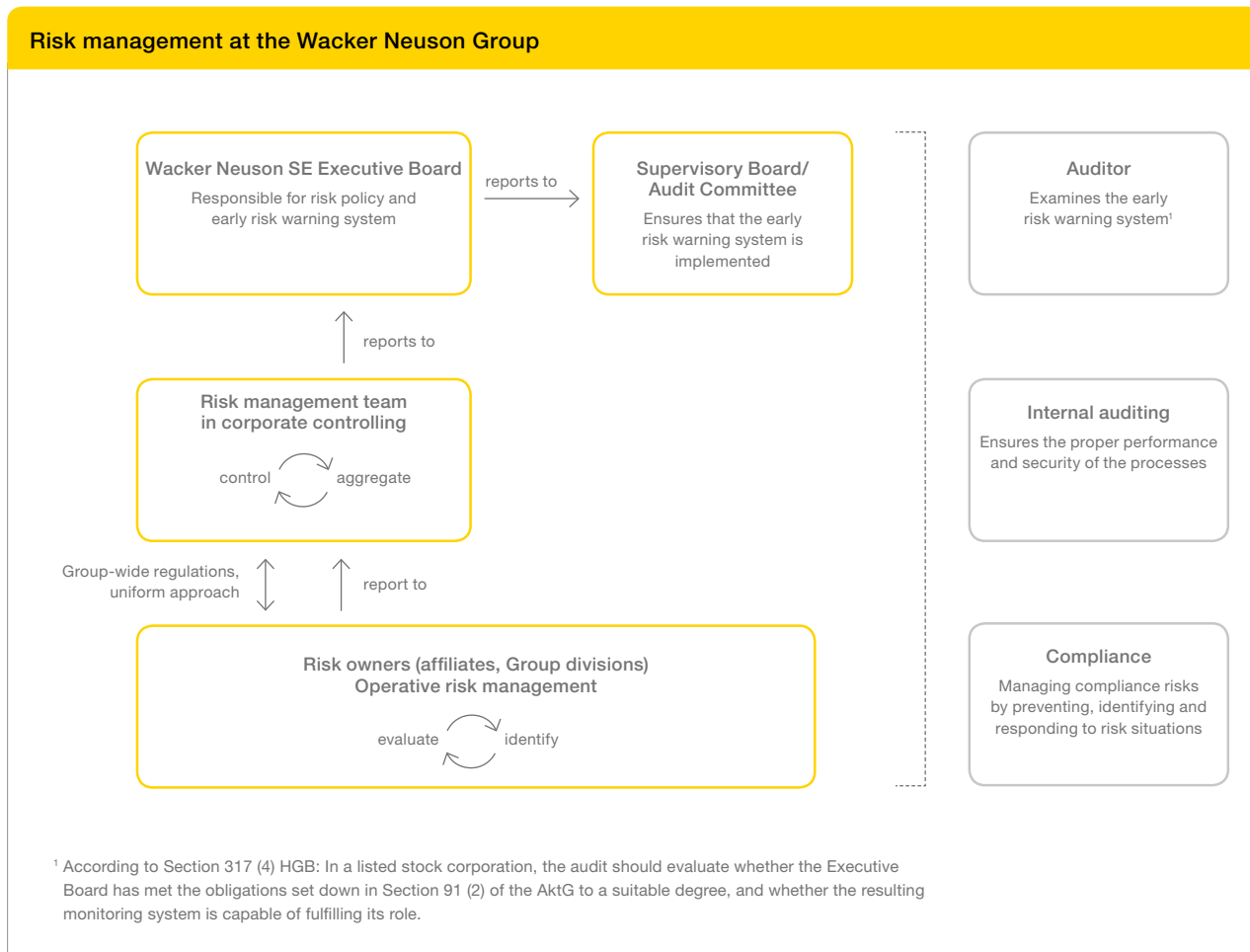
### Presentation of the internal control and risk management system including information in accordance with Section 315 (2) No. 5 and Section 289 (5) of the German Commercial Code (HGB) plus an explanatory report from the Executive Board

Risk reporting requires that the company outline its 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 (2) No. 5 and Section 289 (5) of the 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 also explained in more detail – including in relation to the accounting process – as a precautionary measure pursuant to Section 175 (2) of the German Stock Corporation Act (AktG) in the version outlining modernization of German accounting rules (Bilanzrechtsmodernisierungsgesetz).

### 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. In fiscal 2014, the Wacker Neuson Group continued to implement its risk management system as a key steering tool for business decisions and processes. This system covers planning for each of the core business segments and 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 and Group auditing.

The risk management handbook outlines the Group's risk policy in terms of defining, assessing and quantifying potential risks, and the nature and procedures of the risk management system. It also assigns roles and responsibilities for identifying, analyzing, monitoring and communicating risks. This allows the Group to derive suitable measures to actively counteract known risks. Every risk management system has certain limitations, however. The Group makes every effort to rule out incorrectly applied control mechanisms or similar irregularities. Nevertheless, the control processes deployed in the Group and described in detail in this report do not provide an absolute guarantee or warranty that all risks are always correctly identified and recorded in full and in good time.

#### Risk categorization

Risk class	Risk exposure <sup>1</sup>
To be monitored	€ 50,000 to 125,000
Major	€ 125,000 and above

<sup>1</sup> Risk exposure = (probability in percent) x impact.

The risk reporting system lists and describes each individual risk identified in the Group's business segments. The situation is examined every quarter and newly identified risks added if necessary. To this end, the corporate controlling department of Wacker Neuson SE consults 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.

The Group's comprehensive risk management system includes systematic financial risk management. Group guidelines and policies have been defined 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 item 29 in the Notes to the Consolidated Financial Statements for further information on the risk management system. → p. 146

The risks are evaluated according to probability of occurrence and potential damages.

#### Risk probability

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

#### Key features of internal control and risk management systems in relation to 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 accounting processes in compliance with the relevant legal guidelines. This also includes the internal auditing system, to the extent that it relates to 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 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 accounting can be described as follows:

- The entities responsible for accounting are clearly defined at company and Group level. Responsibility has been vested in the corporate accounting, corporate controlling, auditing and treasury departments. Ultimate responsibility lies with the Executive Board. Within accounting, there is a clear differentiation between booking and auditing financial data.
- Employees involved in accounting are qualified to the highest standards.
- The Group has suitable systems and processes in place for planning, reporting, controlling and risk management, and implements these across the Group. Reports due on a quarterly or monthly basis, financial accounting reports included, enable the Group to respond quickly to unexpected negative developments.
- Procedural guidelines, such as the Group-wide accounting manual and the corporate treasury manual as well as other regulations such as the rating guide and list of processes subject to second sign-off, are documented in writing and accessible at all times to all Group employees. These guidelines guarantee uniform handling of specific 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.
- Line managers double-check sample bookings and run plausibility checks. Similarly, built-in electronic checks are also actively and regularly verified. Effective controls (including second sign-off and analytical checks) are in place for all accounting-related processes (payment runs, for example).

- Accounting processes are also 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 accounting processes.

The aim of the internal control and risk management systems in relation to 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 avoid errors or at least identify them in good time.

Efficient control processes are built on a framework comprising suitably qualified employees, appropriate tools and software, a clearly defined management, control and monitoring structure plus internal regulations and guidelines. Clearly defined areas of responsibility plus a range of controls and checks as described in detail above (in particular second sign-off and regular plausibility checks) ensure that accounting processes are executed correctly and with due care and attention.

This framework 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.

## Risks

As of December 31, 2014, the company identified the following significant risks to the Wacker Neuson Group that could have a negative impact on business development:

### Greatest individual risks

Risk class	Risk probability	Change relative to previous year
Currency devaluation	High	Slightly decreased
Increased competition	High	Increased
Drop in demand for construction equipment	High	Decreased

### Environment and industry risks (risks related to the overall economic situation, the industry, locations and countries as well as other sales risks)

At 51 percent, environment and industry risks account for the largest share of overall risks (2013: 40 percent).

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 dependent on developments in agriculture and other industries.

Although forecasts for the construction industry in 2015 and 2016 are positive, there is still a risk that some markets could be affected by a renewed economic downturn. Following strong growth in previous years, there is a growing measurable risk of demand dropping once more in the construction equipment sector, in particular in light of the slowdown in growth in emerging markets. The debt situation in a number of European countries may lead to the delay or cancellation of government-financed construction and infrastructure projects. A slowdown in the construction industry would depress light and compact equipment sales, and this drop in demand could squeeze Wacker Neuson Group profitability. The Group is countering these risks by diversifying product and service sales across industries and regions. Its commitment to increasing its presence in established markets, expanding into targeted new markets and launching new products should offset any fluctuations in demand at country and industry level. The Group regularly monitors key leading indicators in order to

implement appropriate countermeasures in good time. From an organizational perspective, the Group is also implementing flexible work and production models that enable capacity fluctuations to be absorbed.

Unfavorable market dynamics in core markets could have a disproportionately high impact on Group earnings. The Group is countering this risk with proactive, flexible go-to-market strategies executed through a variety of clearly differentiated sales channels in these countries.

There is an underlying risk that the Ukraine-Russia crisis will escalate and that economic sanctions imposed by the EU and the US against Russia will negatively impact the economy.

The Wacker Neuson Group is also affected by seasonal fluctuations. Sales may therefore fluctuate during the year.

The international nature of its business means the Group is exposed to a variety of political and economic risks.

The Wacker Neuson Group faces tough international competition. In 2014, the competitive market situation was more intense than during the previous year. However, the Group is maintaining its price strategy, which is accepted by its customers. The Group is countering the potential risk of losing market share as a result of this pricing policy by offering customers attractive financing solutions through third parties and further strengthening its spare parts and service offerings (total cost of ownership approach).

The Group has also identified a risk resulting from variations in customer structure 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 is countering this risk by proactively maintaining strong customer relationships and by diversifying its customer base.

Demand on the international market is becoming increasingly concentrated, partly due to mergers and acquisitions among the Group's customer base. Customer takeovers by financial investors are also possible here. This type of development can



have a positive or negative impact on unit sales and revenue, neither of which can be accurately predicted at this stage. The Wacker Neuson Group is countering this risk through transparent yet flexible terms and conditions geared towards bolstering the overall market position of its customers.

**Financial risks (risks associated with financial instruments, exchange rate and interest fluctuations, and financing)**

Financial risks account for 22 percent of overall risk to the Group. This is a decrease on the previous year's figure of 37 percent.

The Group's planning processes are based on forecasts made by currency experts. Deviations do occur, however, and so the Group regularly adapts its plans to reflect these changes.

The increase in financial risk to the Group primarily stems from the risk of currencies in some emerging markets falling sharply against the Group's production currencies (EUR/USD). This devaluation would significantly diminish the value of expected revenue and profit from these countries when they are translated into the Group's consolidated financial statements, which are drawn up in euro. The Group is countering this risk by continually monitoring the currencies in question. In some cases, the Group is countering the prospect of unfavorable currency developments by agreeing production currency prices with customers on conclusion of a business deal.

Please refer to items 22 and 29 in the Notes to the Consolidated Financial Statements for further information on financial risks.

→ p. 138/146

**Performance-related risks (risks associated with procurement, production and R&D)**

At around 18 percent, performance-related risks account for the third largest share of overall risks (2013: 16 percent).

The Group requires raw materials to manufacture its products – particularly steel, aluminum, copper and crude oil. To produce machine components, the Group uses structural steel components, engines, precast parts as well as hydraulic and chassis components. The Wacker Neuson Group relies on timely delivery of defect-free, premanufactured parts. As

demand increases, there is a continued risk of supply or quality problems developing, which – in turn – could lead to delays in production and sales losses. The Group is countering this risk by preemptively qualifying a range of key indicators for its important suppliers, rating the quality, timescale and cost of services they provide. These key suppliers are supported on site by qualified Wacker Neuson Group personnel at every step of the business relationship, from initial nomination through prototyping to series production. The Group focuses on ensuring short lead times so that it can react to fluctuations in demand. Series-manufactured products are produced in advance, subject to tight management of capital investment commitments.

Loss of a supplier (due to insolvency, for instance) could also impact the Group's ability to deliver and therefore threaten individual sales targets. The Wacker Neuson Group is minimizing these risks 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 manufacturing costs for the Wacker Neuson Group. The Group is countering this risk through longer-term contracts and more flexible global procurement strategies. The Group is maintaining regular contact with business partners and suppliers to jointly develop forward-looking solutions.

In addition, the Group relies on delivered components and raw materials being free of defects and meeting the relevant specifications and quality standards. Defects in premanufactured parts could impact quality on the one hand and slow production on the other, which may ultimately delay product deliveries. These scenarios could damage the Group's brand and corporate image and potentially result in contractual penalties. The Wacker Neuson Group is countering this risk associated with key components with a systematic supplier selection process, pre-emptive supplier qualification during series production preparations, regular audits and approval of installed production systems within the framework of an ongoing supplier support process flow. At the Wacker Neuson Group, quality management system also incorporates suppliers.

The Wacker Neuson Group depends on developing new products and bringing these to market in good time. Compliance with national and international laws and directives and factoring these into product development is essential. If this does not continue to happen, the Group's competitive position and growth opportunities may be impaired. The Group's R&D department therefore continuously works to develop new products and enhance its existing portfolio, always aligning its activities with market demands and observing applicable regulations, laws, and directives.

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

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. The Group's market-leading products are being copied – in particular by manufacturers in emerging markets – and this could reduce sales. The Wacker Neuson Group is minimizing this risk by systematically enforcing its intellectual property rights, while also expanding its international sales and service network.

Warranties and product liability claims could 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. The Group minimizes the risk of disputes with third parties over intellectual property rights through extensive prior investigations and research.

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 against significant liability risks arising from potential damages attributable to the Group.

**Strategic business risks (risks arising from business decisions, investments, entering new markets, launching new products, and acquiring and integrating new companies)**

Although the impact of the following risks cannot be quantified, they are an important element in risk reporting.

The Wacker Neuson Group continues to expand its business segments as well as its sales and service network in line with the Group 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 countering 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 equity ratio.

The Group 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 regularly evaluates the success of its measures, applying high quality standards for market analysis and development to counter this risk.

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, 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 has secured its strategic alliances with Claas (Harsewinkel, Germany), Caterpillar (Peoria, USA) and Hamm (Tirschenreuth, Germany) with long-term contracts. The Group is countering the risk of these OEM<sup>1</sup> alliances being terminated through close collaboration, regular contact, the ongoing improvement of processes and consistently high product quality.

#### Other risks (risks associated with human resources, IT and the 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 and long-term personal development opportunities. In order to pursue its ambitious expansion strategy, the Group needs to hire qualified mechanical 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 this area. The Group is countering 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 Group uses IT in numerous areas. Failure of these systems could negatively impact on production and goods flow and lead to loss of revenue. The Group is countering this risk through IT backup strategies. 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.

Increasingly strict regulations governing noise, environmental and user protection could entail additional costs for the Wacker Neuson Group. The Group is countering this risk through active involvement in associations that may have an influence on new developments as well as through intensive research and development.

#### 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 91 percent of total risk (2013: 93 percent).

#### Distribution of risk

as a %

Risk category	Percentage share of total risk
Environment and industry risks	51
Financial risks <sup>1</sup>	22
Performance-related risks	18
Other risks	7
Legal risks	2

<sup>1</sup> The financial risks (risk associated with financial instruments, exchange rate and interest fluctuations, and financing) are explained in the Notes to the Consolidated Financial Statements (items 22 and 29).

Based on the Group's assessment of the risk situation facing it, the overall risk faced in 2014 was 28 percent higher than in the previous year. The main reason for this increase was the added exposure to environment and industry risks. 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 individual or collective risks to its continued existence as a going concern that might negatively affect the Group in the foreseeable future.

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

<sup>1</sup> OEM: Original Equipment Manufacturer.

### 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 also make decisions on innovation projects initiated by the Group in response to changing market and customer requirements. The committees include high-ranking decision-makers from across the Group, including members of the Executive Board, affiliate managers, the strategy planning experts, market developers plus senior employees from research and development, product management, quality management, sales and service, marketing, controlling, treasury and strategic procurement. The Wacker Neuson Group's decision-making process focuses on opportunities while at the same time taking the associated risks into account. Selected potential opportunities for the Wacker Neuson Group are described in detail in the section "Opportunities and outlook for future development of the Wacker Neuson Group". → p. 98

## X. Information in accordance with Section 315 (4) HGB and Section 289 (4) HGB plus an explanatory report from the Executive Board in accordance with Section 176 (1) Sentence 1 AktG

According to Section 315 (4) of the 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 289 (4) HGB. Furthermore, according to Section 176 (1) Sentence 1 of the German Stock Corporation Act (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 315 (4) and Section 289 (4) HGB as well as the corresponding explanatory comments pursuant to Section 176 (1) Sentence 1 AktG.

### Composition of subscribed capital

At December 31, 2014, the company's share capital amounted to EUR 70,140,000 divided into 70,140,000 individual no-par-value nominal shares, each representing a proportionate amount of the share capital of EUR 1 according to Article 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, 188 et seq. and 186 AktG. The provisions of AktG apply to Wacker Neuson SE in accordance with Article 9 (1) c) ii) and Article 10 of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (SE Regulation), 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 on the one hand, and shareholders and companies of the Neunteufel family on the other. 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 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 family shareholders in the pool, and two by the Wacker family 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 for a fee or free of charge, the other pool members have the right to acquire these shares. If the shares are to be sold to third parties off the stock exchange, 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 family 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 family 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 family shareholders have the right to propose one member of the Supervisory Board each 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 family shareholders who are party to the pool agreement. In the case of a sale by a family 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 family 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 family shareholder does not receive compensation in cash but in the form of the shares to which they are financially entitled. Since May 14, 2012, each exiting family shareholder can demand to receive their compensation in the form of the shares to which they are financially entitled.

#### **Pool agreement between 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 the voting rights in the company for all of Martin Lehner's shares acquired 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 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:

Name/company	Direct/indirect participating interests that exceed 10 percent of voting rights
Wacker Familiengesellschaft mbH & Co. KG, 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. h. c. Christian Wacker, Germany	Indirect
Dr. Ulrich Wacker, Germany	Indirect
Andreas Wacker, Germany	Indirect
Barbara von Schoeler, Germany	Indirect
Petra Martin, Germany	Indirect
Dr. Andrea Steinle, Germany	Indirect
Ralph Wacker, Germany	Indirect
Susanne Wacker-Waldmann, Germany	Indirect
Benedikt von Schoeler, Germany	Indirect
Jennifer von Schoeler, Germany	Indirect
Leonard von Schoeler, Germany	Indirect
Vicky Schlagböhmer, Germany	Indirect
Christiane Wacker, Germany	Indirect
Georg Wacker, Germany	Indirect
Baufortschritt-Ingenieurgesellschaft mbH, Munich, Germany	Indirect
PIN Privatstiftung, Linz, Austria	Indirect
NEUSON Industries GmbH, Leonding, Austria	Indirect
Johann Neunteufel, Austria	Indirect
NEUSON Ecotec GmbH, Haid bei Ansfelden, Austria	Direct and indirect
Martin Lehner, Austria	Indirect

The voting rights held by the above-mentioned shareholders correspond to around 63.1 percent of share capital. The shareholders are bound to exercise these voting rights under the terms of a pool agreement (see “Restrictions affecting voting rights or the transfer of shares” → p. 88 ). The above information is based on notifications pursuant to Section 21 of the 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 section “IV. Notifications and disclosures of changes to voting interests pursuant to Section 21 (1) or (1a) 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.

#### **Bearer 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 if they do not directly exercise their controlling rights**

The company’s employees can exercise the controlling rights vested in them through their 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 Article 6 (1) of the Articles of Incorporation of Wacker Neuson SE. The Supervisory Board otherwise

determines the number of Executive Board members (Article 6 (2) Sentence 1 of the Articles of Incorporation). The Supervisory Board is 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 Article 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 and Deputy CEO have been appointed.

Sections 179 et seq. AktG must be observed in the event of changes to the Articles of Incorporation. The AGM passes a resolution to approve changes to the Articles of Incorporation (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 provides for a larger majority to apply (Section 59 (1) of the regulation on the charter of an SE). 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 regulation on the charter of an SE). German legislation has instituted this option in Section 51 (1) of the law governing implementation of the SE in Germany. This does not apply to changes relating to the object/ purpose of the company or relocation of the company's headquarters. 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 SE-Ausführungsgesetz). 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, Section 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 22, 2012, 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 21, 2017. This acquisition may also be performed by one of the Group members 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 must 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.

The compensation paid by the company per registered share (without incidental acquisition costs) may not be more than 10 percent higher or lower than the arithmetic average of the closing prices for shares in the company in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last five stock market days prior to the date on which the undertaking to acquire the shares was entered into. The authorization can be exercised in whole or in parts, in the latter case also on multiple occasions.

The Executive Board may also redeem the treasury shares still to be acquired without a renewed resolution to be passed by the AGM with the permission of the Supervisory Board. The authorization can be exercised in whole or in parts, in the latter case also on multiple occasions. The redemption is performed such that the share capital is not changed, but that the proportion the other shares represent in the share capital is increased in accordance with Section 8 (3) AktG (Section 237 (3) No. 3 AktG). The Executive Board is authorized to change the number of shares in the Articles of Incorporation accordingly.

The Executive Board is authorized, subject to the approval of the Supervisory Board, to use shares in the company that were acquired as a result of the above authorization as (partial) compensation in the execution of mergers or to acquire companies, participating interests in companies or parts of companies. The acquired treasury shares may also be sold to

Executive Board members and to members of the executive bodies and employees of associated companies. If shares are to be sold to members of the Executive Board within the framework of an executive profit-share model, the Supervisory Board will determine the details when deciding on the overall remuneration for Executive Board members. In addition, the Executive Board is authorized, subject to the approval of the Supervisory Board, to sell the treasury shares still to be acquired at a price that is not substantially lower than the stock market price on the date of the sale. The price at which shares in the company can be sold must not be more than 5 percent lower than the arithmetic average of the closing prices of shares in the company in XETRA trading (or a comparable successor system) at the Frankfurt Stock Exchange on the last five trading days prior to the date of the general sale. In this case, the number of the shares to be sold together with the new shares that were issued after this authorization was issued subject to the exclusion of subscription rights in accordance with Section 186 (3) Sentence 4 AktG, and together with treasury shares already sold, must not exceed 10 percent of the company's share capital which exists on the date the resolution passed at the AGM came into effect. The authorization to redeem/sell shares can be availed of in full or in several partial amounts. The shareholders' subscription rights to treasury shares in the company are excluded to the extent that these shares are redeemed or sold according to the above authorizations.

### 2012 Authorized Capital

According to Section 3 (3) of the Articles of Incorporation, the Executive Board is authorized to increase the company's share capital by May 21, 2017, subject to 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 (2012 Authorized Capital).

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 for the purpose of acquiring companies, parts of companies or participating interests in companies or other assets (even if alongside the shares, part of the purchase price is paid out in cash) or as part of amalgamations or mergers;

- 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 total number of shares issued subject to the exclusion of subscription rights does not exceed 10 percent 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 10 percent shall also 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 decide in consultation with the Supervisory Board on the nature of 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

A long-term cooperation agreement with the company Caterpillar covering the production of mini excavators includes a provision that allows Caterpillar to terminate the agreement under certain conditions should a competitor to Caterpillar acquire a direct or indirect share in the company in excess of 25 percent or a share in excess of 15 percent combined with a seat on the company's Supervisory Board. The list of competitors is specified in detail in the agreement.

The Schuldschein loan agreements with terms between five and seven years placed by Wacker Neuson SE in February 2012 give the respective creditors termination options if third parties acquire at least 50 percent of voting rights in the company.



### Compensation agreements between the company and the members of the Executive Board or its employees for 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 (Übnehmerichtlinie-Umsetzungsgesetz). The Executive Board therefore does not see the need to add further details to the information provided above.

## XI. Declaration on corporate governance according to Section 289a HGB

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On February 24, 2015, the Executive Board of Wacker Neuson SE issued a Corporate Governance Declaration pursuant to Section 289a of the German Commercial Code (HGB). This is available on the Wacker Neuson SE website at <http://corporate.wackerneuson.com/ir/en-cg-governance.php>

## XII. Remuneration framework

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### Information on the Executive Board

According to the Vorstandsvergütungs-Offenlegungsgesetz (German Executive Board Remuneration Disclosure Act), listed companies must disclose individualized information on the Executive Board's remuneration in the Notes to the Annual and Consolidated Financial Statements, broken down into performance-related and non-performance related components as well as long-term incentives. The Act stipulates that information may be withheld if the AGM resolves this with a

majority of 75 percent of votes cast. This type of resolution can be passed for a maximum period of five years. The company has again availed of this option for fiscal years 2011 to 2015 inclusive by way of a resolution passed at the AGM on May 26, 2011.

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
- Transitional pay, compensation upon an early exit
- 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.
- From fiscal 2011 onwards, the variable salary has been based on average consolidated earnings after taxes for the previous three fiscal years (with transitional provisions), as reported in the approved Consolidated Financial Statements for the respective fiscal year, as well as on the return on capital employed as reported in the Consolidated Financial Statements. The Group's performance may also be taken into consideration, as reflected in both the success with which revenue goals are achieved and the size of the EBIT margin. An upper threshold for the 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 56 to 70 percent for 100-percent achievement of targets.
- If the Executive Board members' employment contract is terminated prematurely, but not for good cause, the members of the Executive Board 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 the contract is terminated after the age of 55 and prior to the member reaching the age of 60, the members of the Executive Board 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, premiums for life insurance in favor of the Executive Board members, premiums for accident insurance, the use of a company car, etc.
- The members of the Executive Board receive an old-age pension for life as part of the pension commitment upon reaching the age of 60 unless the employment relationship with the company was terminated for good cause attributable to the Executive Board member in question. In addition, an invalidity pension is paid in the event of disability or professional incapacity, 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 period under review amounted to EUR 3.2 million (2013: EUR 4.9 million). Total remuneration for the Supervisory Board for the same period amounted to EUR 0.6 million (2013: EUR 0.5 million). At the AGM on May 26, 2011, a resolution was again passed to refrain from itemizing this information in accordance with Section 285 (1) No. 9 a Sentences 5 to 8 in conjunction with Section 314 (2) Sentence 2 HGB in conjunction with 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 at the AGM in May 2012. In line with this provision, the fixed remuneration for each individual member of the Supervisory Board amounts to EUR 30,000. The Chairman of the Supervisory Board receives twice this amount, and his/her Deputy receives 1.5 times the fixed remuneration. Members of committees receive an additional fixed remuneration, with the Chairman of each committee receiving twice the regular committee remuneration. The members of the Supervisory Board also receive a fixed allowance for each Supervisory Board meeting in which they participate. In addition, members of the Supervisory Board are reimbursed for their out-of-pocket expenses and any VAT that may be due on their remuneration and out-of-pocket expenses. The individual Supervisory Board members shall also be paid a variable remuneration.

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

### **XIII. Supplementary report**

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There have been no other events since the reporting date that could have a significant impact on the Group's or the SE's earnings, financials and assets.

## XIV. Opportunities and outlook

### Overall economic outlook

- Slight upturn in global economy expected
- Impetus from established markets
- Momentum set to slow further in emerging economies

### Global economy to gather some pace

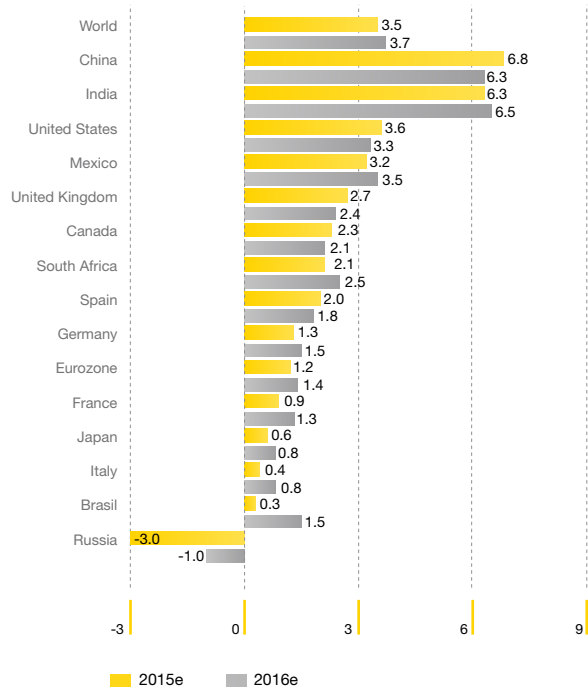
According to estimates from the International Monetary Fund (IMF), the pace of global economic growth should pick up slightly in 2015, with experts anticipating a 3.5-percent increase. The economic impetus here looks set to come largely from developed economies, especially the US. In the emerging markets, on the other hand, another slight drop in growth is expected.

Economic recovery in the eurozone is likely to continue at a modest level, with Italy to emerge from the recession as the last of the major European economies. The IMF anticipates an increase in economic output of 1.2 percent. High-export countries, in particular, should benefit from a significantly weaker euro relative to the previous year. And low oil prices should also play a supporting role, at least in the immediate future. Nevertheless, countries in southern Europe – particularly Greece – remain a source of uncertainty due to their high debt levels, which could subdue the general willingness to invest.

For Germany, the IMF forecasts slightly diminished GDP growth of 1.3 percent for 2015. This should still mean Germany remains a pillar of the economic recovery in Europe.

With projected expansion of 3.6 percent, the US could become the prime growth driver for the global economy in 2015. Domestic consumption is already healthy, and should be boosted further by the lower oil price and continued expansionary monetary policy. However, prospects for export-oriented companies are somewhat dampened by the substantial recent rise in the US dollar.

Global GDP growth: 2015e to 2016e



Source: IMF, WEO January 2015.

In the emerging economies, the IMF expects market dynamics to slow again slightly in 2015, with probable overall growth of 4.3 percent. A key factor in this development is the anticipated economic downturn in China, with GDP growth under the 7 percent mark. Meanwhile, the Russian economy looks set to fall into deep recession in 2015, triggered by the ongoing US and EU sanctions, the drastic devaluation of its currency and low crude oil prices – a key Russian export. The economic outlook for other markets heavily dependent on crude oil exports, particularly in South America and the Middle East, is also subdued.

### Outlook for construction and agricultural industries

- Uneven short-term development expected in construction
- Medium and long-term prospects remain positive
- Possible downturn in European agriculture

The short-term outlook for global construction development contains both ups and downs and is characterized by a relatively high level of uncertainty.

The end of 2014 saw increased signs that the construction industry in certain key markets could stagnate or even contract in some areas. However, Germany, the UK and Scandinavia, in particular, look set to have a stabilizing effect on European construction in 2015. In Germany, the Central Association of German Construction (ZDB) expects growth of 2 percent.

Meanwhile, the North American market looks set to experience a strong year in 2015. The mood in the US housing market, in particular, remains buoyant, with the number of new-build projects estimated to rise by 20 percent and thus exceed 1 million. Infrastructure and industrial construction should also pick up further. Among those set to benefit from this development are rental firms for construction equipment. The American Rental Association (ARA) anticipates a revenue increase of 8.1 percent for 2015. No positive impetus looks likely to come from Latin America in the coming year, however, with difficult market conditions set to endure.

According to the German Engineering Federation (VDMA), a further decline in the key Chinese market should be expected in Asia. On the other hand, the Middle Eastern markets appear to be resisting the crisis, while India might also deliver growth impetus.

In view of these conditions, the VDMA is forecasting zero growth for the construction equipment industry in 2015.

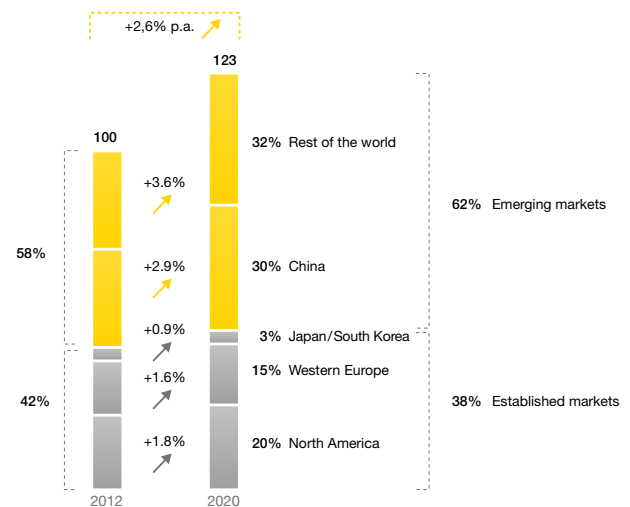
#### Long-term market trends remain unchanged

Despite the limited short-term growth prospects, high global demand for infrastructure investment over the long term still holds strong potential for construction equipment manufacturers with global reach.

In Europe, construction investment over the coming years will be focused on road, rail and transport networks and on telecommunications. Other priorities include general renovation and modernization projects and measures to protect the environment and limit climate change. Residential construction investments should continue to rise, fueled by low interest rates. Transport infrastructure is also a focus of the newly established European Fund for Strategic Investments (EFSI), intended by the EU to stimulate growth and employment. Through mobilization of private capital, initial funds of EUR 21 billion should result in overall investment in strategic projects of at least EUR 315 billion from 2015 through 2017. Additionally, Germany and the UK have each announced multi-billion national investment programs for public infrastructure.

Emerging markets are also set to invest huge sums in infrastructure projects over the coming years, notably in the construction and expansion of roads, airports, rail networks, utility services (energy, waste and water), schools, universities, hospitals, and telecommunication networks, as well as in the exploitation of raw materials. In July 2014, the five major emerging economies of Brazil, Russia, India, China and South Africa (BRICS) founded a joint development bank and monetary union with the aim of driving forward key strategic infrastructure projects as quickly as possible.

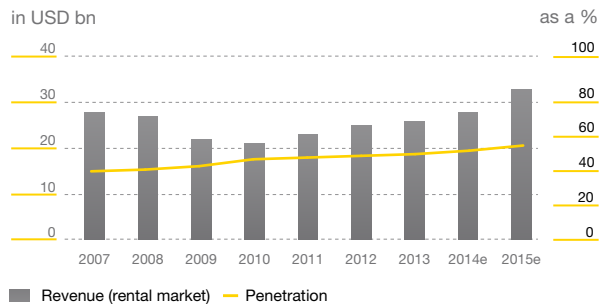
Global construction equipment market through 2020  
Index (value), 2012-2020



Source: Oliver Wyman, 2013.

The European construction equipment manufacturers already well positioned in these markets are set to benefit from these measures, since the local construction industry often has a low level of mechanization – particularly in emerging economies – with insufficient or technologically outdated equipment. This intense activity should push up average global sales of construction equipment to one million units per year by 2016.

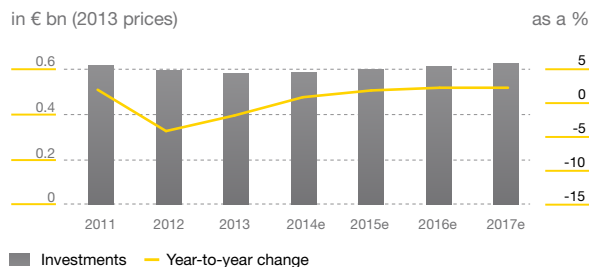
**US rental market: revenue and penetration**



Source: Executing for Growth and Returns, 2014 Outlook Investor Presentation, Fourth Quarter – Full Year 2013.

Rising demand for machinery will be accompanied by a clear shift in the revenue-generating share of individual countries in 2020. China, in particular – already the world’s largest construction equipment market – will account for an above-average share of construction equipment sales in the medium to long term, with other emerging markets also accounting for a fast-growing share of revenue. By 2020, these markets should make up a 62-percent share of the global construction machinery market. Even allowing for rising demand in North America, Japan, Korea and Western Europe, these regions are likely to see their share of the overall market sink from 42 percent to 38 percent by 2020.

**Residential construction output: 2011 to 2017e (Euroconstruct countries)**



Source: Euroconstruct, November 2014.

The expectation is still that the established markets will grow at a solid rate. In Western Europe, the construction equipment market is expected to grow by 1.6 percent per year. For North America, the corresponding figure is 1.8 percent. In the US, the market penetration of rental companies has increased in recent years, and this segment already accounts for around 50 percent of the overall construction equipment market. While the US construction industry has recently seen more positive development, it nonetheless remains well below its level before the global economic and financial crisis of 2008/2009. Rental companies and construction equipment dealers are therefore increasingly turning to other industries such as energy, where there is a growing demand for machinery.

**Downturn in European agriculture**

According to the European umbrella association of the agricultural machinery industry (CEMA), the significant fall in prices of numerous agricultural commodities and resulting dampened outlook for the European agricultural sector is also impacting the order situation for manufacturers of agricultural equipment. In addition, many agricultural holdings have already invested in machinery over the past few years, which is now muting demand. Equally, the upcoming changes to EU subsidy policies scheduled for 2015 are another source of uncertainty, deterring many landholders from making larger investments in the short term. CEMA’s sales forecasts for the agricultural machinery industry are correspondingly downbeat for 2015. Following the drop of 5 to 10 percent recorded for 2014, another reduction of similar size is expected for the current year.

However, 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, particularly to work agricultural holdings efficiently, will continue to increase. A renewed rise in agricultural prices should bolster landholders’ income – a factor which, in turn, should further fuel demand for Weidemann- and Kramer-branded equipment.

**Wider opportunities for increased sales of Wacker Neuson Group products**

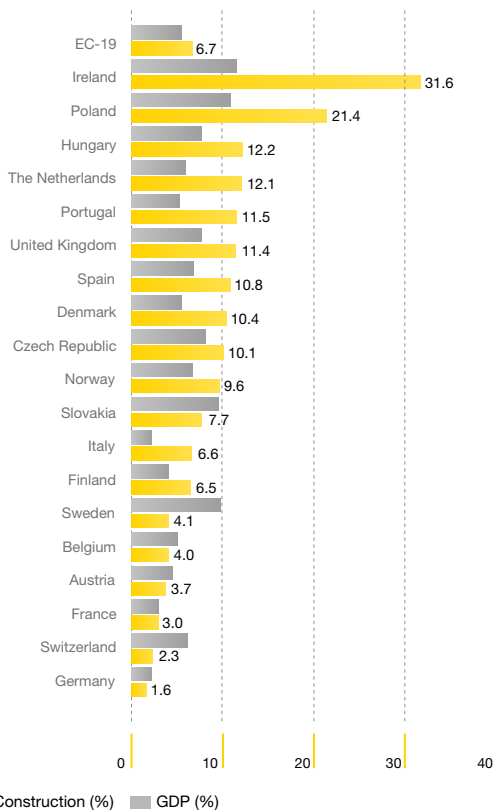
**Global opportunities for construction**

- Infrastructural needs in emerging markets
- Consequences of climate change and greater emphasis on environmental protection
- Expansion of telecommunication networks (including broadband)
- Expansion and modernization of road and rail networks worldwide
- Reconstruction (renovation, modernization)
- Greater demand for residential developments, partly driven by urbanization
- Recovery of commercial and residential construction sectors

**Global opportunities for agriculture and other sectors**

- Increasing global demand for food and fodder due to population growth
- Structural shift towards fewer, larger holdings (especially in Europe) with greater demand for mechanization
- Increasing industrialization/automation of agricultural operations, including in emerging economies
- Trend towards multifunctional compact equipment for transporting material in industrial sector
- Rising demand for efficient products in the energy sector (e.g. for oil and gas production)

**Cumulated construction and economic growth (Europe): 2015e to 2017e (3 years)**



Source: Euroconstruct, November 2014.

**Opportunities for future development**

- Strategies for further profitable growth
- Internationalization, diversification, synergies
- Strong performance expected in 2015 and 2016

**Strategic roadmap for the Wacker Neuson Group**

Global trends in the construction and agricultural industries will lead to greater global demand for compact and light equipment. The biggest drivers of the Group's growth will be as follows:

- By 2050, the world's population will have grown from 6 billion to around 9 billion, with the greatest increases in Asia and Africa.
- In Asia, particularly, higher purchasing power and demand from new groups of consumers will lead to increased investment in construction and housing.
- By the year 2025, around two thirds of the world's population will be living in cities. The greatest challenges in terms of construction, housing and infrastructure will be faced by megacities with over 10 million inhabitants in developing and emerging countries.
- Data extrapolated by the International Energy Agency (IEA) indicates an increase in demand for primary energy of around 50 percent, accompanied by a corresponding increase in CO<sub>2</sub> emissions.

These trends present huge opportunities for the Wacker Neuson Group to build on its cross-industry, leading expertise and expand its business in both industrialized and emerging markets.

The Wacker Neuson Group's strategy is geared towards lasting, profitable growth. As part of its 2012 strategic business planning process, management set out its targets for the next five years. This involved detailing basic strategies and concrete measures for defined focus areas.

#### Further internationalization

In the long term, the intention is to extend the Group's global reach and establish a strong position in all construction and agriculture markets where it has a presence. The emerging markets offer major growth opportunities for the Wacker Neuson Group. Currently, these economies account for 13 percent of revenue. The long-term aim is to increase the Group's share in markets outside of Europe to around 40 percent (2014: 28 percent). The Group sees strong prospects in emerging markets such as China, Southeast Asia, Africa and South America, in particular. The variety of the Group's product portfolio will allow it to gain an even greater foothold in these markets. The Wacker Neuson Group will increase its presence by supplying products and services in both the light and compact equipment segments that are tailored to the market and customer needs. To support these efforts, the sales and service network will also be expanded. This increased level of internationalization will broaden the Group's activity base and make it more resilient to isolated fluctuations in regional economies and specific sectors.

#### Further growth in established markets

The Group's strong financial position and market reach provide it with a good foundation for further growth in the core markets of Europe and North America. The Wacker Neuson Group's strategy is based on strengthening its innovation and quality leadership. The Group will therefore continue to invest in research and development with the aim of further expanding its portfolio and reinforcing its position as a technology leader.

The Wacker Neuson Group's strategy focuses on greater penetration of the European and American markets over the coming years. By focusing more on user processes and market requirements, the Group aims to align sales in both of its core markets even more closely with customer needs and priorities. In the Americas region, it will also focus on expanding the dealer network for light and compact equipment.

#### Sales synergies and greater diversification

Active cross-selling across different segments allows the Wacker Neuson Group to continue leveraging global sales synergies. The Group's sales affiliates will offer specific industries an even more tailored product portfolio in order to serve other markets outside the cyclical construction industry. Customers in gardening and landscaping, agriculture and other branches of industry already contribute significantly to revenue alongside construction. Targeted diversification and cross-segment synergies will help to stabilize the Group in a volatile climate.

#### Partnerships and acquisitions

On the compact equipment front, the Wacker Neuson Group has formed strategic alliances with market leaders like Caterpillar and Claas to drive further growth potential. In the roller segment, Wacker Neuson is cooperating with market leader Hamm (Wirtgen Group). With a view to enhancing the Group's product portfolio and expanding its international footprint, the Group is planning further partnerships and acquisitions in the medium to long term.

#### Planned changes to company structure, strategy and targets

The Wacker Neuson Group is pursuing a long-term growth strategy, which will be implemented systematically. Short- to medium-term objectives and measures will be adapted as needed to changing dynamics in order to ensure focused execution.

The regular Global Leader Summit attended by representatives of all global Group companies is a strategic platform for sharing information and international experience and for working on future projects. No major changes need to be made to the 2012 GIPI (Growth, Internationalization, Professionalization, Integration) strategy or to targets defined in line with this strategy.

A fundamental realignment took place in 2011, when Wacker Neuson SE was restructured as a holding company. It now acts as an umbrella for operating companies that are separate legal entities. New companies can easily be integrated into the holding structure. As part of the Group's expansion strategy, the intention is to establish more new affiliates over the next few years. Most recently, new sales affiliates were founded in Peru, Columbia and China in 2014, and in Singapore at the end of 2013.

## Regional action items for the Wacker Neuson Group

### Americas

- Market penetration of light equipment via new sales channels and products
- Expansion of compact equipment
- Sales synergies (cross-selling)
- Achieve above-average growth in South America

### Europe

- Maintain and expand market leadership
- Increase market share beyond Central Europe
- Expand agricultural offering for farmyards, stalls and pastures with the Weidemann brand
- Expand Kramer in the agricultural sector
- Expand service business

### Asia-Pacific

- Strengthen premium segment position and develop mid-market segment for light equipment
- Launch of compact equipment
- Expansion in ASEAN and SAARC countries
- Establish compact equipment in Australia/New Zealand

In 2014, the Group created a number of new central functions and roles, including corporate aftermarket, corporate lean management, corporate facility and asset management (real estate), and corporate sustainability.

### New processes and technologies

The Wacker Neuson Group is planning to optimize quality management across the Group in 2015. The new procurement structure will enable additional supplier qualification and leverage further purchasing synergies.

Lean management is becoming an increasingly important topic. Extensive activities are underway at a number of sites and will be standardized across the Group. The Group also aims to further standardize its technology and reporting processes. When it comes to innovations, the Group will keep its focus firmly on meeting market requirements, whether developing new, alternative drive technologies or optimizing user protection, comfort and efficiency levels.

On the compliance front, the Group is implementing preventive measures and raising awareness of compliance guidelines worldwide as part of efforts to expand its global compliance management. These activities are aimed at both staff and business partners. Dedicated training sessions will also help to anchor the guidelines in Group culture.

### New products and services

It is becoming increasingly important for manufacturers to tailor products to the needs of customers in local markets. The Wacker Neuson Group therefore focuses its international marketing activities on customers' regional requirements. Both on its website and in its brochures and sales activities, marketing is now directed at specific target groups, for example in railroad/track construction and in the underground, gardening and landscaping sectors. The Group will be aligning these activities even more closely with its target groups in 2015.

Over the coming years, the Wacker Neuson Group will be looking to enter more emerging markets in which it does not currently have a foothold. To boost its presence, the Group has started launching the M series product line, tailored specifically to the requirements of these markets, in various countries around the world – with more to follow.

The Group's development activities are geared towards creating more efficient, environmentally sound machines with low or zero emissions. The ECO range of products, launched in 2013, together with the ECO seal (ECO = ECOlogy and ECOonomy) further reflects Wacker Neuson's commitment here.

In the services segment, the Group plans to expand in line with market needs.



## Overview

	2015e	2016e
Revenue	€ 1.40 to 1.45 bn	Further growth
EBIT margin	9.5% to 10.5%	Same as 2015
Investments	approx. € 95 m	Adapted to market developments

As the Group expands into new markets, it also needs to offer its customers financing solutions. With this in mind, the Wacker Neuson Group is intensifying its collaboration with partners and will be offering a wider portfolio of financing options in 2015.

The Wacker Neuson Academy near Munich offers specialized training courses as well as global sales and service training concepts, both for Group sales and service staff and for employees from sales partner organizations. Due to the positive feedback received, the Group plans to increase the number of courses over the coming years.

The Group's decision to expand Kramer-branded products in the agricultural sector is intended to increase sales of all-wheel drive wheel loaders and telescopic handlers. For the Weidemann brand, the focus will be on expanding outside of Central Europe.

## Forecast

### Revenue growth expected again in 2015

Strong revenue growth over the last five years is confirmation that the Wacker Neuson Group is on the right strategic course. The Group expects further growth in 2015 and the following years.

The current fiscal year again got off to a satisfactory start on the business front. The Group has a healthy order book for compact equipment, and light equipment is also performing well.

Assuming market trends remain positive, the Executive Board predicts overall revenue for fiscal 2015 of between EUR 1.40 and 1.45 billion (2014: EUR 1.28 billion). The EBIT margin is expected to lie somewhere between 9.5 and 10.5 percent (2014: 10.6 percent).

The expansion of the Group's global sales network and costs associated with these efforts could impact profit in the medium term. However, the Group views this as necessary and valuable investment in its future growth.

### Segment trends

Although the Wacker Neuson Group anticipates positive development in its core Europe region, it expects the greatest growth figures to come from beyond Europe.

The Group predicts further growth through 2015 and the following years for all three business segments – light equipment, compact equipment and services. Compact equipment is expected to continue realizing dynamic growth figures, attributable in particular to increased international sales and existing strategic alliances. The share of this business segment in total revenue is expected to increase further in the medium term. As the services segment continues to grow in line with the rise in sales the Group expects its share of revenue to remain at more or less the same level.

### Planned financing options, future investments and cost trends

The Wacker Neuson Group intends to continue investing in profitable projects and driving growth across all regions and business segments. For fiscal 2015, the Group has earmarked around EUR 95 million in total for investments (2014: EUR 90 million).

As in previous years, the Wacker Neuson Group is again expecting positive free cash flow for 2015, with cash flow from operating activities exceeding cash flow from investment activities.

The Group aims to maintain its balance sheet structure with a comparatively high equity ratio. Equity ratio currently amounts to around 70 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 over the coming years.

#### **Outlook through 2016**

As things stand and assuming market trends remain positive, the Wacker Neuson Group predicts continued revenue growth for fiscal 2016 and thus hopes to maintain profitability at around the current level.

#### **Summary forecast**

The Wacker Neuson Group expects positive business development in fiscal 2015 and 2016.

The global trend towards infrastructure expansion and improvement offers opportunities for the Group's business model. Global investments in road, rail and telecommunication networks as well as the modernization of buildings is set to rise, fueling demand for compact and light equipment. The Group is keeping pace with this by expanding its international presence and developing competitive products and services.

The overall economic outlook for 2015 and the following years is positive, in particular in the Wacker Neuson Group's core markets.

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

Munich, March 4, 2015

Wacker Neuson SE, Munich

The Executive Board

Cem Peksaglam  
(CEO)

Günther C. Binder

Martin Lehner  
(Deputy CEO)

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# Consolidated Income Statement

For the period from January 1 through December 31

in € K	Notes	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2013
Revenue	(1)	1,284,262	1,159,522
Cost of sales		-903,003	-806,806
<b>Gross profit</b>		<b>381,259</b>	<b>352,716</b>
Sales and service expenses		-170,553	-166,757
Research and development expenses		-28,772	-25,690
General administrative expenses		-63,574	-67,043
Other income	(2)	25,491	14,283
Other expenses	(4)	-7,650	-12,761
<b>Profit before interest and tax (EBIT)</b>		<b>136,201</b>	<b>94,748</b>
Financial income	(5a)	2,729	1,898
Financial expenses	(5b)	-8,789	-8,695
<b>Profit before tax (EBT)</b>		<b>130,141</b>	<b>87,951</b>
Taxes on income	(6)	-38,020	-26,419
<b>Profit for the year</b>		<b>92,121</b>	<b>61,532</b>
Of which are attributable to:			
Shareholders in the parent company		91,512	61,167
Minority interests		609	365
		<b>92,121</b>	<b>61,532</b>
<b>Earnings per share in euros (diluted and undiluted)</b>	(7)	<b>1.30</b>	<b>0.87</b>

# Consolidated Statement of Comprehensive Income

For the period from January 1 through December 31

in € K	Notes	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2013
<b>Profit for the year</b>		<b>92,121</b>	<b>61,532</b>
<b>Other income</b>			
Income to be recognized in the income statement for subsequent periods:			
Exchange differences		20,166	-18,608
<b>Income to be recognized in the income statement for subsequent periods</b>		<b>20,166</b>	<b>-18,608</b>
Income not to be recognized in the income statement for subsequent periods:			
Actuarial gains/losses from pension obligations	(17)	-10,345	-1,006
Effect of taxes on income		2,991	312
<b>Income not to be recognized in the income statement for subsequent periods</b>		<b>-7,354</b>	<b>-694</b>
<b>Other comprehensive income after tax</b>		<b>12,812</b>	<b>-19,302</b>
<b>Total comprehensive income after tax</b>		<b>104,933</b>	<b>42,230</b>
Of which are attributable to:			
Shareholders in the parent company		104,324	41,865
Minority interests		609	365
		<b>104,933</b>	<b>42,230</b>

# Consolidated Balance Sheet

Balance at 31 December

in € K	Notes	Dec. 31, 2014	Dec. 31, 2013
<b>Assets</b>			
Property, plant and equipment	(8)	388,907	386,384
Property held as financial investment	(9)	17,998	18,476
Goodwill	(10a)	237,290	236,259
Intangible assets	(10)	117,095	108,505
Deferred tax assets	(6)	35,018	30,285
Other non-current financial assets	(11)	16,170	10,457
Other non-current non-financial assets	(11)	1,589	1,681
<b>Total non-current assets</b>		<b>814,067</b>	<b>792,047</b>
Inventories	(12)	424,036	333,812
Trade receivables	(13)	173,317	163,953
Tax offsets	(6)	2,834	4,673
Other current financial assets	(14)	5,071	2,091
Other current non-financial assets	(14)	14,042	10,298
Cash and cash equivalents	(15)	14,200	15,533
<b>Total current assets</b>		<b>633,500</b>	<b>530,360</b>
<b>Total assets</b>		<b>1,447,567</b>	<b>1,322,407</b>
<b>Equity and liabilities</b>			
Subscribed capital	(16)	70,140	70,140
Other reserves	(16)	589,408	576,596
Net profit/loss	(16)	352,201	288,745
<b>Equity attributable to shareholders in the parent company</b>		<b>1,011,749</b>	<b>935,481</b>
<b>Minority interests</b>		<b>4,474</b>	<b>3,865</b>
<b>Total equity</b>		<b>1,016,223</b>	<b>939,346</b>
Long-term financial borrowings	(19)	126,593	130,594
Deferred tax liabilities	(6)	33,187	33,124
Long-term provisions	(17) (18)	49,358	39,498
<b>Total non-current liabilities</b>		<b>209,138</b>	<b>203,216</b>
Trade payables	(20)	65,187	44,702
Short-term borrowings from banks	(19)	66,682	61,698
Current portion of long-term borrowings	(19)	441	428
Short-term provisions	(18)	12,827	12,948
Tax liabilities	(6)	1,357	310
Other short-term financial liabilities	(21)	25,347	22,241
Other short-term non-financial liabilities	(21)	50,365	37,518
<b>Total current liabilities</b>		<b>222,206</b>	<b>179,845</b>
<b>Total liabilities</b>		<b>1,447,567</b>	<b>1,322,407</b>

# Consolidated Statement of Change in Equity

Balance at 31 December

in € K	Sub-scribed capital	Capital reserves	Exchange differences	Other neutral changes	Net profit/loss	Equity attributable to shareholders in the parent company	Minority interests	Total equity
Notes	(16)	(16)	(16)	(16)	(16)			
<b>Balance at January 1, 2013</b>	<b>70,140</b>	<b>618,661</b>	<b>-15,280</b>	<b>-7,483</b>	<b>248,620</b>	<b>914,658</b>	<b>3,500</b>	<b>918,158</b>
Profit for the year	0	0	0	0	61,167	61,167	365	61,532
Other income	0	0	-18,608	-694	0	-19,302	0	-19,302
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-18,608</b>	<b>-694</b>	<b>61,167</b>	<b>41,865</b>	<b>365</b>	<b>42,230</b>
Dividends	0	0	0	0	-21,042	-21,042	0	-21,042
<b>Balance at December 31, 2013</b>	<b>70,140</b>	<b>618,661</b>	<b>-33,888</b>	<b>-8,177</b>	<b>288,745</b>	<b>935,481</b>	<b>3,865</b>	<b>939,346</b>
Profit for the year	0	0	0	0	91,512	91,512	609	92,121
Other income	0	0	20,166	-7,354	0	12,812	0	12,812
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>20,166</b>	<b>-7,354</b>	<b>91,512</b>	<b>104,324</b>	<b>609</b>	<b>104,933</b>
Dividends	0	0	0	0	-28,056	-28,056	0	-28,056
<b>Balance at December 31, 2014</b>	<b>70,140</b>	<b>618,661</b>	<b>-13,722</b>	<b>-15,531</b>	<b>352,201</b>	<b>1,011,749</b>	<b>4,474</b>	<b>1,016,223</b>

# Consolidated Cash Flow Statement

For the period from January 1 through December 31

in € K	Notes	Jan. 1 – Dec. 31, 2014	Jan. 1 – Dec. 31, 2013 <sup>1</sup> (adjusted)
<b>EBT</b>		<b>130,141</b>	<b>87,951</b>
<b>Adjustments to reconcile profit before tax with gross cash flows:</b>			
Depreciation and amortization		60,142	58,604
Other non-cash income/expenditure		-5,871	5,175
Gains/losses from sale of intangible assets and property, plant and equipment		-721	709
Book value from the disposal of rental equipment		21,600	12,255
Actuarial losses from pension obligations		-7,354	-694
Financial result	(5)	6,060	6,797
Changes in misc. assets		-14,899	1,488
Changes in provisions		9,078	1,265
Changes in misc. liabilities		6,376	3,935
Interest paid		-8,674	-8,500
Income tax paid		-32,825	-25,044
Interest received		2,707	2,078
<b>Gross cash flow</b>		<b>165,760</b>	<b>146,019</b>
Changes in inventories		-75,579	14,490
Changes in trade receivables		-1,966	-23,843
Changes in trade payables		18,545	-5,600
<b>Changes in working capital</b>		<b>-59,000</b>	<b>-14,953</b>
<b>Cash flow from operating activities</b>		<b>106,760</b>	<b>131,066</b>
Purchase of property, plant and equipment	(8)	-73,816	-71,793
Purchase of intangible assets	(10)	-16,457	-14,968
Proceeds from the sale of property, plant and equipment, intangible assets and non-current assets held for sale		4,976	10,887
<b>Cash flow from investment activities</b>		<b>-85,297</b>	<b>-75,874</b>
<b>Free cash flow<sup>2</sup></b>		<b>21,463</b>	<b>55,192</b>
Dividends	(16)	-28,056	-21,042
Cash receipts from short-term/long-term borrowings		9,045	1,509
Repayments from short-term/long-term borrowings		-3,914	-37,697
Payment of finance lease liabilities		-100	-123
<b>Cash flow from financing activities</b>		<b>-23,025</b>	<b>-57,353</b>
<b>Decrease in cash and cash equivalents</b>		<b>-1,562</b>	<b>-2,161</b>
Effect of exchange rates on cash and cash equivalents		229	-1,173
<b>Change in cash and cash equivalents</b>		<b>-1,333</b>	<b>-3,334</b>
<b>Cash and cash equivalents at beginning of period</b>	(15)	<b>15,533</b>	<b>18,867</b>
<b>Cash and cash equivalents at end of period</b>	(15)	<b>14,200</b>	<b>15,533</b>

<sup>1</sup> The cash flow from the previous year has been adjusted in line with the new presentation of cash flow for the year under review (see Note 28).

<sup>2</sup> Free cash flow = cash flow from operating activities + cash flow from investment activities.



# Consolidated Segmentation

For the period from January 1 through December 31

## Segmentation (geographical segments)

in € K	Europe	Americas	Asia-Pacific	Consolidation	Group
<b>2014</b>					
<b>Segment revenue</b>	1,027,652	370,524	53,621		
Intersegment sales	-105,934	-46,851	-14,750		
<b>Total</b>	<b>921,718</b>	<b>323,673</b>	<b>38,871</b>	<b>0</b>	<b>1,284,262</b>
<b>EBIT</b>	<b>117,855</b>	<b>22,021</b>	<b>878</b>	<b>-4,553</b>	<b>136,201</b>
<b>EBITDA<sup>1</sup></b>	<b>169,776</b>	<b>29,434</b>	<b>1,685</b>	<b>-4,553</b>	<b>196,342</b>
<b>Net financial debt<sup>1</sup></b>	<b>123,673</b>	<b>47,820</b>	<b>8,024</b>	<b>0</b>	<b>179,517</b>
<b>Working capital<sup>1</sup></b>	<b>366,823</b>	<b>159,918</b>	<b>27,041</b>	<b>-21,616</b>	<b>532,166</b>
<b>Non-current assets</b>	<b>666,103</b>	<b>68,122</b>	<b>10,656</b>	<b>0</b>	<b>744,881</b>
<b>Average number of employees</b>	<b>3,262</b>	<b>729</b>	<b>262</b>	<b>0</b>	<b>4,253</b>

in € K	Europe	Americas	Asia-Pacific	Consolidation	Group
<b>2013</b>					
<b>Segment revenue</b>	889,924	342,960	48,698		
Intersegment sales	-63,699	-45,757	-12,604		
<b>Total</b>	<b>826,225</b>	<b>297,203</b>	<b>36,094</b>	<b>0</b>	<b>1,159,522</b>
<b>EBIT</b>	<b>79,802</b>	<b>21,425</b>	<b>4</b>	<b>-6,483</b>	<b>94,748</b>
<b>EBITDA<sup>1</sup></b>	<b>131,177</b>	<b>27,818</b>	<b>840</b>	<b>-6,483</b>	<b>153,352</b>
<b>Net financial debt<sup>1</sup></b>	<b>113,609</b>	<b>59,517</b>	<b>4,061</b>	<b>0</b>	<b>177,187</b>
<b>Working capital<sup>1</sup></b>	<b>300,711</b>	<b>145,019</b>	<b>22,163</b>	<b>-14,830</b>	<b>453,063</b>
<b>Non-current assets</b>	<b>680,527</b>	<b>60,568</b>	<b>10,210</b>	<b>0</b>	<b>751,305</b>
<b>Average number of employees</b>	<b>3,211</b>	<b>680</b>	<b>244</b>	<b>0</b>	<b>4,135</b>

<sup>1</sup> See Note 27: Segmentation.

Revenue with non-Group companies generated by affiliates headquartered in Germany came to EUR K 502,271 (previous year: EUR K 437,948).

## Segmentation (business segments)

in € K	2014	2013
<b>Segment revenue from external customers</b>		
Light equipment	422,282	407,169
Compact equipment	605,959	519,955
Services	272,963	248,453
	<b>1,301,204</b>	<b>1,175,577</b>
Less cash discounts	-16,942	-16,055
<b>Total</b>	<b>1,284,262</b>	<b>1,159,522</b>

# Notes to the Consolidated Financial Statements

## General information on the company

Wacker Neuson SE (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 2014 were prepared 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 2014 have been applied.

The Consolidated Financial Statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the Notes to the Consolidated Financial Statements, the consolidated cash flow statement, as well as the consolidated statement of changes in equity. In addition, a Group Management Report, which was combined with the Management Report of the company, was prepared in accordance with Section 315a HGB. 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). All figures are presented in thousand euros (€ K or EUR K), rounded to the nearest thousand, unless otherwise stated.

Wacker Neuson SE's fiscal year corresponds to the calendar year. The Consolidated Financial Statements for fiscal 2014 (which include prior-year figures) were approved for publication by the Executive Board on March 4, 2015.

## Changes in accounting under IFRS

### Standards and interpretations applied for the first time in the fiscal year

The following standards, amendments to standards and interpretations are mandatory from January 1, 2014:

Name	Description	Mandatory as of <sup>1</sup>	Date of endorsement
IFRS 10	Consolidated financial statements	Jan. 1, 2014	Dec. 11, 2012
IFRS 11	Shared agreements	Jan. 1, 2014	Dec. 11, 2012
IFRS 12	Disclosure of interests in other entities	Jan. 1, 2014	Dec. 11, 2012
IAS 27	Consolidated and separated financial statements (amended version)	Jan. 1, 2014	Dec. 11, 2012
IAS 28	Investments in associates (amended version)	Jan. 1, 2014	Dec. 11, 2012
IAS 32	Offsetting assets and liabilities	Jan. 1, 2014	Dec. 11, 2012
	Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	Jan. 1, 2014	Nov. 20, 2013
	Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	Jan. 1, 2014	Apr. 4, 2013
IAS 39	Novation of derivatives and continuation of hedge accounting	Jan. 1, 2014	Dec. 19, 2013
IFRIC 21	Public charges	Jan. 1, 2014	June 13, 2014

<sup>1</sup> For fiscal years that start on or after this date.

The standards to be applied for the first time in this fiscal year did not have any significant impact on the accounting and valuation methods used by the Group, with the exception of the following:

- IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associated companies, structured entities and off-balance-sheet units.

### Standards and interpretations that have been published but not yet applied

The following financial reporting standards have been published but have not yet come into force, which is why there is no obligation to apply them yet. Should these financial reporting standards be endorsed by the European Union, earlier voluntary adoption would be feasible. At present, the Group aims to apply these standards from the date on which they take effect.

Name	Description	Mandatory as of <sup>1</sup>	Date of endorsement
IFRS 9	Financial instruments (recognition, classification and measurement) and hedging relationships	Jan. 1, 2018	Planned for H2/2015
IFRS 14	Regulatory deferrals/accruals	Jan. 1, 2016	Open
IFRS 15	Revenue from contracts with customers	Jan. 1, 2017	Planned for Q2/2015
	Improvements to IFRS (2012–2014)	Jan. 1, 2016	Planned for Q3/2015
	Sales or contributions of assets between an investor and its associate/joint venture (amendments to IFRS 10 and IAS 28)	Jan. 1, 2016	Planned for Q4/2015
IAS 27	Equity method in separate financial statements	Jan. 1, 2016	Planned for Q3/2015
	Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	Jan. 1, 2016	Planned for Q3/2015
	Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	Jan. 1, 2016	Planned for Q1/2015
IFRS 11	Accounting for acquisitions of interests in joint operations	Jan. 1, 2016	Planned for Q1/2015
IAS 19	Defined benefit plans: employee contributions	July 1, 2014	Dec. 17, 2014
	Improvements to IFRS (2010–2012)	July 1, 2014	Dec. 17, 2014
	Improvements to IFRS (2011–2013)	July 1, 2014	Dec. 18, 2014
	Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	Jan. 1, 2016	Planned for Q4/2015
	Disclosure initiative (amendments to IAS 1)	Jan. 1, 2016	Planned for Q4/2015

<sup>1</sup> For fiscal years that start on or after this date.

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

- IFRS 15: Revenue from Contracts with Customers, was published by the IASB in May 2014 and specifies when and how revenue from customers should be recognized. IFRS 15 provides a principles-based five-step model to be applied to all contracts with customers. According to the new standard, the amount of revenue to be recognized on transfer of control corresponds to the consideration to which the company will be entitled to in exchange for the goods or services that will be transferred to the customer. IFRS 15 replaces IAS 11, Construction Contracts, and IAS 18, Revenue, as well as the related interpretations. The impact of applying IFRS 15 can only be reliably assessed after carrying out a detailed analysis.
- With its publication of the final version of IFRS 9, Financial Instruments, in July 2014, the IASB completed its comprehensive project to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a new three-step classification model for financial assets. The categorization results from the dependence of the contractual cash flows and from the business model within which the instrument is held. Another key introduction in IFRS 9 is the fair value option for financial liabilities. For these liabilities, changes in fair value attributable to changes in the default risk of the liability are to be recognized in other comprehensive income. The company is currently evaluating the impact IFRS 9 will have on the Consolidated Financial Statements.

### Closing date

The closing date for all affiliates included in the Consolidated Financial Statements is December 31 of the respective year. The current accounting period is January 1, 2014 through December 31, 2014.

### Consolidation structure

→ see fig. on p. 113

In addition to the parent company, Wacker Neuson SE, the Consolidated Financial Statements as at December 31, 2014 include the following affiliates controlled by the Group. The Group is deemed to control a company if it carries the risks associated with that company along with the rights to fluctuating returns on its shareholding in the company, and if it can use its power of control over the company to influence these returns. Control is exercised through the following shareholdings:

Company name	City	Country	Wacker Neuson SE shareholding as a %		Equity in € K	Segment
			direct	indirect		
<b>Germany</b>						
1 Wacker Neuson Produktion GmbH & Co. KG	Munich	Germany	100		55,051	Europe
2 Wacker Neuson PGM Verwaltungs GmbH	Munich	Germany		100	29	Europe
3 Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich	Germany	100		78,204	Europe
4 Wacker Neuson SGM Verwaltungs GmbH	Munich	Germany		100	29	Europe
5 Wacker Neuson Vertrieb Europa GmbH & Co. KG	Munich	Germany	100		38,765	Europe
6 Wacker Neuson SEM Verwaltungs GmbH	Munich	Germany		100	29	Europe
7 Weidemann GmbH	Diemelsee-Flechtendorf	Germany	100		39,744	Europe
8 Kramer-Werke GmbH	Pfullendorf	Germany		95	111,061	Europe
9 PADEM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gutmadingen KG	Düsseldorf	Germany		90	66	Europe
10 Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf	Germany		95	7,120	Europe
11 Wacker Neuson Grundbesitz Verwaltungs GmbH	Pfullendorf	Germany		95	24	Europe
12 Wacker Neuson Immobilien GmbH	Überlingen	Germany		95	3,160	Europe
<b>Rest of Europe</b>						
13 Wacker Neuson ApS	Karlslunde	Denmark	100		2,780	Europe
14 Wacker Neuson S.A.S.	Brie-Comte-Robert (near Paris)	France	100		6,841	Europe
15 Wacker Neuson Ltd.	Stafford (near Birmingham)	UK	100		6,879	Europe
16 Wacker Neuson srl con socio unico	San Giorgio di Piano (near Bologna)	Italy	100		138	Europe
17 Wacker Neuson B.V.	Amersfoort	Netherlands	100		3,280	Europe
18 Wacker Neuson AS	Hagan (near Oslo)	Norway	100		4,312	Europe
19 Wacker Neuson Beteiligungs GmbH	Hörsching (near Linz)	Austria	100		140,156	Europe
20 Wacker Neuson Linz GmbH	Hörsching (near Linz)	Austria		100	110,270	Europe
21 Wacker Neuson Rhymney Ltd.	Tredegar	UK		100	887	Europe
22 Wacker Neuson Kragujevac d.o.o.	Kragujevac	Serbia		100	762	Europe
23 Wacker Neuson Lapovo d.o.o.	Lapovo	Serbia		100	1,403	Europe
24 Wacker Neuson GmbH	Vienna	Austria	100		15,418	Europe
25 Wacker Neuson Sp. z.o.o.	Jawczyce (near Warsaw)	Poland	100		7,730	Europe
26 Wacker Neuson GmbH	Moscow	Russia	100		15,418	Europe
27 Wacker Neuson AB	Södra Sandby (near Malmö)	Sweden	100		3,545	Europe
28 Drillfix AG	Volketswil (near Zürich)	Switzerland	100		250	Europe
29 Wacker Neuson AG	Volketswil (near Zürich)	Switzerland	100		29,192	Europe
30 Wacker Neuson, S.A.	Torrejón de Ardoz (near Madrid)	Spain	100		4,526	Europe
31 Wacker Neuson (Pty) Ltd.	Florida (near Johannesburg)	South Africa	100		8,320	Europe
32 Wacker Neuson s.r.o.	Prague	Czech Republic	100		6,541	Europe
33 Wacker Neuson Makina Limited irketi	Küçükbakkalköy (near Istanbul)	Turkey	100		8,855	Europe
34 Wacker Neuson Kft.	Törökbálint (near Budapest)	Hungary	100		988	Europe
<b>Americas</b>						
35 Wacker Neuson Máquinas Ltda.	Jundiaí (near São Paulo)	Brazil	100		2,602	Americas
36 Wacker Neuson Ltda.	Huechuraba (near Santiago)	Chile	100		7,780	Americas
37 Wacker Neuson Ltd.	Mississauga (near Toronto)	Canada	100		6,879	Americas
38 Wacker Neuson S.A. de C.V.	Mexico City	Mexico	100		5,701	Americas
39 Wacker Neuson Corporation	Menomonee Falls <sup>1</sup>	USA	100		107,558	Americas
40 Wacker Neuson Logistics Americas LLC	Menomonee Falls <sup>1</sup>	USA		100	72,869	Americas
41 Wacker Neuson Production Americas LLC	Menomonee Falls <sup>1</sup>	USA		100	68,395	Americas
42 Wacker Neuson Sales Americas LLC	Menomonee Falls <sup>1</sup>	USA		100	33,444	Americas
<b>Asia-Pacific</b>						
43 Wacker Neuson Pty Ltd.	Springvale (near Melbourne)	Australia	100		13,906	Asia-Pacific
44 Wacker Neuson Limited	Hong Kong	Hong Kong	100		3,870	Asia-Pacific
45 Wacker Neuson Machinery Trading (Shenzhen) Ltd. Co.	Shenzhen	China		100	0	Asia-Pacific
46 Wacker Neuson Equipment Private Ltd.	Bangalore	India	100		1,025	Asia-Pacific
47 Wacker Neuson Manila, Inc.	Dasmariñas (near Manila)	Philippines	100		9,869	Asia-Pacific
48 Wacker Neuson Limited	Samutprakarn (near Bangkok)	Thailand		100	3,870	Asia-Pacific

<sup>1</sup> Near Milwaukee.

The following companies were founded in fiscal 2014 but have not been included in the consolidation structure due to their limited significance:

- Wacker Neuson Bogotá S.A.S., Colombia, was established on November 12, 2014 and is wholly owned by Wacker Neuson SE. In fiscal 2014, the company was not yet fully operational as a business.
- Wacker Neuson Shanghai Ltd., China, was founded on December 2, 2014 and is wholly owned by Wacker Neuson SE. In fiscal 2014, the company was not yet fully operational as a business.

- Wacker Neuson Lima S.A.C., Peru, was founded on November 18, 2014. Wacker Neuson SE directly holds 99 percent of the company. In fiscal 2014, the company was not yet fully operational as a business.

The following companies have not been included in the consolidation structure in fiscal 2014 due to their limited significance:

Company name	Country	Share (direct) as a %	Share (indirect) as a %	Segment
Wacker Neuson Bogotá S.A.S.	Colombia	100	0	Americas
Wacker Neuson Lima S.A.C.	Peru	99	1	Americas
Wacker Neuson Shanghai Ltd.	China	100	0	Asia-Pacific
Wacker Neuson (Singapore) PTE. LTD	Singapore	100	0	Asia-Pacific
Wacker Neuson Holding Limited	Thailand	100	0	Asia-Pacific

No other significant acquisitions or disposals were made in fiscal 2014.

The Group does not hold any investments in associate 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, 2014. The annual financial statements of these companies were prepared according to the uniform accounting and valuation methods applied by the Group.

Equity was consolidated according to the acquisition method. For the first consolidation of subsidiaries, all identifiable assets, liabilities and contingent liabilities of the acquired companies are recognized at 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 affiliates have been eliminated. Group inventories and fixed assets have been adjusted for 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 exchange differences are recognized in the income statement.

The annual financial statements of consolidated Group members that are prepared in foreign currencies have been 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.

Exchange differences arising from the application of different exchange rates for balance sheets and income statements are recorded as a separate item of equity and thus have no impact on the financial result. Exchange differences resulting from the translation of foreign affiliates into the Group's currency are recognized in other income and are also recorded as a separate item of equity with no impact on the financial result.

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

1 euro equals		2014	2013	2014	2013
		Annual average rates		Rates at balance sheet date <sup>1</sup>	
Australia	AUD	1.4723	1.3936	1.4829	1.5423
Brazil	BRL	3.1056	2.8945	3.2207	3.2530
Chile	CLP	756.9460	663.1867	737.1700	723.4884
Denmark	DKK	7.4547	7.4577	7.4453	7.4593
UK	GBP	0.8031	0.8501	0.7789	0.8337
Hong Kong	HKD	10.2465	10.3231	9.4170	10.6933
India	INR	80.7110	78.4498	76.7190	85.1000
Canada	CAD	1.4636	1.3771	1.4063	1.4671
Mexico	MXN	17.6454	17.1245	17.8679	18.0350
Norway	NOK	8.3967	7.8664	9.0420	8.3630
Philippines	USD	1.3211	1.3308	1.2141	1.3791
Poland	PLN	4.1939	4.2134	4.2732	4.1543
Russia	RUB	51.9326	42.6203	72.3370	45.3246
Sweden	SEK	9.1205	8.6692	9.3930	8.8591
Switzerland	CHF	1.2127	1.2291	1.2024	1.2276
Serbia	RSD	117.4236	113.1190	121.4150	114.8550
South Africa	ZAR	14.3406	13.0128	14.0353	14.5660
Thailand	THB	42.9878	41.0803	39.9100	45.1780
Czech Republic	CZK	27.5513	26.0270	27.7350	27.4270
Turkey	TRY	2.8942	2.5675	2.8320	2.9605
USA	USD	1.3211	1.3308	1.2141	1.3791

<sup>1</sup> Rates at the balance sheet date: rates on the last working day of the year.

## Accounting and valuation methods

### Consolidation of revenue, income and expenses

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

### Determining fair value

The Group identifies certain financial instruments and non-financial assets and recognizes them at fair value in line with applicable guidelines at every closing date. 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 use to agree on a price that is in their best economic interests.

The Group uses appropriate evaluation techniques that provide sufficient data for measuring fair value. These processes must give the highest priority to observable inputs and the lowest priority to non-observable inputs.

All assets and liabilities to be measured at fair value or recognized in the financial statements are categorized into the following fair value hierarchies based on the lowest level input that is significant overall to the measurements.

- Level 1: Prices quoted in active markets (not adjusted)
- Level 2: Evaluation processes incorporating key lowest level inputs that are observable either directly or indirectly on the market for the asset or liability
- Level 3: Evaluation processes incorporating key lowest level inputs that are 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 costs or manufacturing costs less accumulated linear depreciation and accumulated impairment. Property, plant and equipment is derecognized on disposal or when it is withdrawn from use.

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 disclosed at net book value. Straight-line depreciation occurs using the pro rata temporis method.

### Intangible assets

Intangible assets with a limited useful life are capitalized at acquisition cost or manufacturing cost less accumulated depreciation and accumulated impairment 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 on the income statement, dependent upon the useful life of the leased object and the related interest expense.

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.

#### **Inventories**

Inventories of work in process and finished products, as well as raw materials and supplies, are valued at their 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 lowest net realizable value at the balance sheet date. The net realizable value corresponds to the estimated realizable sales price under normal business conditions less 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 procedure is also used to simplify valuation.

### **Financial instruments and hedging transactions**

#### **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 recognized at amortized cost. Assets are recognized in the balance sheet for the first time when a Group company 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 useful value or the net realizable value (impairment test). Should the book value exceed the net realizable value, the asset is written down.

Trade receivables and other receivables are recognized at their nominal values less allowance for doubtful accounts based on the probable default risk. Non-current receivables are discounted at standard interest rates.

Credit balances with financial institutions are recognized at their nominal values. Financial liabilities are categorized according to type and intended purpose in line with IAS 39.9. All financial liabilities for the Group were classed as other financial liabilities as defined by IAS 39.9. They were initially recognized at acquisition cost, which corresponds to the fair value through profit or loss of the consideration received. Transaction costs are included here. In subsequent years, all liabilities are measured at amortized cost using the effective interest method.

#### **Derivative financial instruments**

The Wacker Neuson Group utilized standard financial instruments such as interest rate swaps/caps and foreign exchange forward contracts exclusively to minimize risks. These kinds of financial instruments are organized 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 the contract is subsequently reevaluated at the respective closing date. The fair values are calculated based on market information available on the closing date and with the help of recognized actuarial principles.

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. Profits and losses realized through fair value fluctuations are immediately recognized.

### 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 onwards are fulfilled.

### Trade receivables and other assets

Both trade receivables and other assets are principally valued at their nominal values. They are, as a rule, valued at nominal value prior to allowances for uncollectable accounts. Provided they are financial instruments, they are classified in the category "loans and receivables". Allowances are recognized for the full amount for those receivables and other current assets for which there is a high probability of default. Furthermore, general credit, interest and cash discount risks are recognized.

### 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 recognized at fair value, which, for liquid funds, is equivalent to the nominal value in euro.

### 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 in remuneration payments and in pensions in compliance with the regulations as set forth in IAS 19. Revaluations, 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. Revaluations may not be moved 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 plans 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 financial results. 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, and when a reliable estimate of the amount can be made. Other provisions are made for all recognizable obligations. Valuation is based on estimations of the expected settlement amount on due consideration of all business circumstances. Provisions that are due after more than 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 set up for all recognizable risks as well as for all contingent liabilities in the amount of the probable occurrence.

### **Deferred tax liabilities**

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 arise in the next five years (maximum) and if they will be applicable in subsequent periods. Deferred tax was recognized for loss carry-forwards in the year under review.

Deferred tax is calculated at the tax rate of the company in question valid or approved at the balance sheet date, which is likely to be valid when the reversal effects will probably enter into effect.

Changes to deferred tax in the balance sheet 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. The following significant estimates and assumptions, together with the uncertainties associated with the accounting and valuation

methods applied, are crucial in understanding the underlying risks of the financial report 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 2014, no reasons were identified that would indicate impairment. For more information on calculating impairment, the assumptions indicating impairment and the sensitivity of these assumptions, please refer to item 10 "Intangible assets" in these Notes.

#### **Indications for tangible and intangible asset and development costs impairment (specific to events or circumstances)**

At each closing date, the Group determines whether there are any reasons to assume that the book value of a tangible asset or an item under other intangible assets has been impaired. In fiscal 2014, no further reasons were identified that would indicate significant tangible or intangible asset impairment.

#### **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 reduced if the estimates regarding scheduled tax 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.

#### **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 issues relating to sensitivity, please refer to item 17 “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 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.

## 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 € K	2014	2013
Proceeds from sale of property, plant and equipment	2,232	413
Currency gains	14,748	7,428
Rental income on investment properties	1,904	1,905
Carry-forwards	611	361
Recovery of receivables written off	110	85
Insurance reimbursements	2,269	410
Gains on foreign-exchange forward contracts	0	4
Income from the sale of scrap	522	260
Other income	3,095	3,417
<b>Total</b>	<b>25,491</b>	<b>14,283</b>

Other income includes income from the offsetting of non-cash benefits.

### 3 Personnel expenses

Personnel expenses are composed as follows:

in € K	2014	2013
Wages and salaries	205,144	194,494
Social security contributions	44,396	41,036
Expenses for pensions	4,733	4,665
<b>Total</b>	<b>254,273</b>	<b>240,195</b>

The expenses for pensions include the expense for pension benefits without the interest portion of the additions to provisions for pensions, which is recognized under financial results.

The expenses for wages and salaries include redundancy payments to the following extent:

in € K	2014	2013
Redundancy payments	2,526	3,203

The average number of employees broken down according to fields of activity is as follows for the period under review:

	2014	2013
Production	1,654	1,576
Sales and service	1,783	1,756
Research and development	350	341
Administration	466	462
<b>Total</b>	<b>4,253</b>	<b>4,135</b>

**4 Other operating expenses**

in € K	2014	2013
Exchange losses	5,541	11,329
Losses on the disposal of property, plant and equipment	1,511	1,112
Other expenses	598	320
<b>Total</b>	<b>7,650</b>	<b>12,761</b>

**5 Financial result****a) Financial income**

in € K	2014	2013
Interest and similar income	2,685	1,851
Income on disposals of financial assets	37	47
Unrealized gains	7	0
<b>Total</b>	<b>2,729</b>	<b>1,898</b>

**b) Financial expense**

in € K	2014	2013
Interest and similar expense	-8,774	-8,623
Expenses on disposals of financial assets	-15	-22
Unrealized losses	0	-50
<b>Total</b>	<b>-8,789</b>	<b>-8,695</b>

**6 Taxes on income**

Expense for taxes on income is composed as follows:

in € K	2014	2013
Current tax expense	41,028	24,802
Deferred tax expense	-3,008	1,617
<b>Total</b>	<b>38,020</b>	<b>26,419</b>

Reconciliation of calculated tax to actual tax expense:

in € K	2014	2013
EBT	130,141	87,951
Tax at the applicable rate: 28.82% (previous year: 29.11%)	37,507	25,603
Variance in Group tax rates	-2,464	-999
Taxes from or for prior periods	-79	-904
Tax effects of non-deductible expenses and tax-exempt income	2,930	2,563
Other	126	156
<b>Total</b>	<b>38,020</b>	<b>26,419</b>

In some cases, the items "Tax effects of non-deductible expenses and tax-exempt income" and "Other" may contain expenses and income from a period other than the period under review.

Taxes on income are calculated by applying the Group's uniform tax rate of 28.82 percent (previous year: 29.11 percent) to the profit before tax.

The tax assessment for the current year is based on a corporate income tax rate of 15.83 percent, which includes a solidarity surcharge of 5.5 percent. Trade tax is set at a uniform 3.5 percent.

Actual netted income tax receivables on the closing date amounted to EUR K 1,477 (previous year: EUR K 4,363).

Deferred tax assets and liabilities are allocated to the following balance sheet items:

in € K	2014 Deferred tax assets	2014 Deferred tax liabilities	2013 Deferred tax assets	2013 Deferred tax liabilities
Recognition and valuation differences: intangible assets	0	29,695	0	27,422
Valuation differences: tangible assets	13,405	15,133	14,185	14,186
Valuation differences: inventories	18,301	629	13,427	419
Valuation differences: receivables	747	0	460	0
Valuation differences: provisions for pensions	8,046	0	5,616	0
Valuation differences: liabilities	777	0	554	0
Loss carry-forwards	1,986	0	3,192	0
Other	5,071	1,045	2,669	915
<b>Total</b>	<b>48,333</b>	<b>46,502</b>	<b>40,103</b>	<b>42,942</b>
<b>Net</b>	<b>-13,315</b>	<b>-13,315</b>	<b>-9,818</b>	<b>-9,818</b>
<b>Balance sheet item</b>	<b>35,018</b>	<b>33,187</b>	<b>30,285</b>	<b>33,124</b>

Unlike in the previous year, the figures for deferred tax assets and liabilities are shown as gross rather than netted amounts. The previous year's figures were correspondingly adjusted.

Deferred tax recognized in the consolidated balance sheet arises from 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.

Unused tax loss carry-forwards for which no deferred tax receivable was recognized in the balance sheet amount to EUR K 15,117 (previous year: EUR K 13,669).

With respect to deferred tax assets, EUR K 2,393 (previous year: EUR K 1,553) 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 in subsequent years. The deferred tax expense as a result of a drop in deferred tax receivables amounts to EUR K 2,306 (previous year: EUR K 865).

Deferred taxes from pension obligations in the amount of EUR K 6,238 (previous year: EUR K 3,247) were recognized directly in equity. The remaining 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 K 201,413 (previous year: EUR K 208,092).

## 7 Earnings per share

in € K	2014	2013
Earnings of the current year attributable to shareholders in € K	91,512	61,167
Weighted average number of shares outstanding during current period	70,140	70,140
<b>Undiluted earnings per share in €</b>	<b>1.30</b>	<b>0.87</b>
<b>Diluted earnings per share in €</b>	<b>1.30</b>	<b>0.87</b>

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. This amount is entirely allocated to continuing operations.

There was no share dilution effect in the reporting period shown.

## Explanatory comments on the balance sheet

## 8 Property, plant and equipment

in € K	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/ Assets under construction	Total
<b>Acquisition costs</b>					
Balance at January 1, 2014 (adjusted)	305,109	261,806	90,881	2,388	660,184
Exchange rate differences	4,178	6,242	1,471	-286	11,605
Additions	4,449	55,617	6,946	6,804	73,816
Disposals	-3,043	-59,477	-10,264	-11	-72,795
Transfers	150	663	-5	-808	0
<b>Balance at December 31, 2014</b>	<b>310,843</b>	<b>264,851</b>	<b>89,029</b>	<b>8,087</b>	<b>672,810</b>
<b>Accumulated depreciation</b>					
Balance at January 1, 2014 (adjusted)	77,830	133,958	62,012	0	273,800
Exchange rate differences	1,887	4,575	967	0	7,429
Additions	7,396	34,774	8,392	0	50,562
Disposals	-1,534	-37,348	-9,006	0	-47,888
Transfers	2	7	-9	0	0
<b>Balance at December 31, 2014</b>	<b>85,581</b>	<b>135,966</b>	<b>62,356</b>	<b>0</b>	<b>283,903</b>
<b>Book value at December 31, 2013 (adjusted)</b>	<b>227,279</b>	<b>127,848</b>	<b>28,869</b>	<b>2,388</b>	<b>386,384</b>
<b>Book value at December 31, 2014</b>	<b>225,262</b>	<b>128,885</b>	<b>26,673</b>	<b>8,087</b>	<b>388,907</b>
Useful life in years	1-50	1-15	1-20		

in € K	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/ Assets under construction	Total
<b>Acquisition costs</b>					
Balance at January 1, 2013 (adjusted)	307,669	254,020	89,625	2,306	653,620
Exchange rate differences	-4,980	-3,478	-1,471	-37	-9,966
Additions	2,377	56,453	9,081	1,457	69,368
Disposals	-561	-45,780	-6,421	-76	-52,838
Transfers	604	591	67	-1,262	0
<b>Balance at December 31, 2013 (adjusted)</b>	<b>305,109</b>	<b>261,806</b>	<b>90,881</b>	<b>2,388</b>	<b>660,184</b>
<b>Accumulated depreciation</b>					
Balance at January 1, 2013 (angepasst)	71,377	137,455	58,713	0	267,545
Exchange rate differences	-962	-1,995	-868	0	-3,825
Additions	7,864	31,875	9,897	0	49,636
Disposals	-449	-33,378	-5,729	0	-39,556
Transfers	0	1	-1	0	0
<b>Balance at December 31, 2013 (adjusted)</b>	<b>77,830</b>	<b>133,958</b>	<b>62,012</b>	<b>0</b>	<b>273,800</b>
<b>Book value at December 31, 2012</b>	<b>236,293</b>	<b>114,084</b>	<b>33,392</b>	<b>2,306</b>	<b>386,075</b>
<b>Book value at December 31, 2013 (adjusted)</b>	<b>227,279</b>	<b>127,848</b>	<b>28,869</b>	<b>2,388</b>	<b>386,384</b>
Useful life in years	1-50	1-20	1-27		

Amounts recognized for land and buildings as well as for office and other equipment include the book values of finance lease contracts. For further information on this, please refer to item 24 "Other financial liabilities" in these Notes. Machinery and equipment includes rental equipment.

Total write-downs on property, plant and equipment, investment property and intangible assets reported in the Group income statement amounted to EUR K 60,142 (previous year: EUR K 57,898). EUR K 42,223 of this is attributable to manufacturing costs, EUR K 6,435 to selling expenses, EUR K 1,571 to research and development costs and EUR K 9,913 to general administrative costs.

A lien at the book value of EUR K 9,451 (previous year: EUR K 9,451) is included in land and buildings, with the equivalent value of the open credit amounting to EUR K 3,300 (previous year: EUR K 6,667).

There were no government subsidies to report during the period under review.

For technical reasons, the historical acquisition costs and the accumulated depreciation were not shown correctly in property, plant and equipment in previous years. This item has now been corrected in the amounts carried forward as of January 1, 2013. The values in the previous year's financial statement as of January 1, 2013 and December 31, 2013 were accordingly adjusted. This has no impact on the income statement, and the balance sheet values (book values) of previous years were always correctly reported. The corrected historical acquisition costs as of January 1, 2013 amounted to EUR K 653,620 (previously EUR K 627,081), and the corrected accumulated depreciation as of January 1, 2013 amounted to EUR K 267,545 (previously EUR K 241,006). In terms of the values as of December 31, 2013, the historical acquisition costs were corrected to EUR K 660,184 (previously EUR K 633,645) and the accumulated historical depreciation was corrected to EUR K 273,800 (previously EUR K 247,261). This resulted in an increase for both items of EUR K 26,539.

## 9 Investment properties

The table below shows the development of investment properties held during the years 2013 and 2014:

in € K	2014	2013
<b>Acquisition costs</b>		
Balance at January 1	29,536	31,649
Exchange rate differences	170	179
Additions	0	72
Disposals	-156	-2,364
<b>Balance at December 31</b>	<b>29,550</b>	<b>29,536</b>
<b>Accumulated depreciation</b>		
Balance at January 1	11,060	10,983
Exchange rate differences	2	141
Additions	511	712
Disposals	-21	-776
<b>Balance at December 31</b>	<b>11,552</b>	<b>11,060</b>
<b>Book value on January 1</b>	<b>18,476</b>	<b>20,666</b>
<b>Book value on December 31</b>	<b>17,998</b>	<b>18,476</b>

The profit derived from investment properties is shown in the table below:

in € K	2014	2013
Rental income	1,904	1,905
Depreciation and amortization	-511	-712
Other expenses	-178	-197
<b>Total</b>	<b>1,215</b>	<b>996</b>

Depreciation and amortization is allocated to the European segment.

Investment properties include the land and buildings listed below, 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.

Property	Book value in € K	Fair value in € K	Calculation method	Depreciation method	Useful life
Germany	15,319	23,400			
Dortmund	115	170	Discounted cash flow	linear	33 years
Gutmadingen	879	5,250	Survey/German income approach	linear	33 years
Überlingen	14,325	17,980	Survey/German income approach	linear	25–50 years
UK	2,516	2,516	Estate agent pricing	linear	50 years
Spain	138	138	Survey/German income approach	linear	50 years
South Africa	25	256	Estate agent pricing	–	–



The evaluation methods applied are listed in the table above. The key, non-observable input parameters used to evaluate investment properties are as follows (measuring fair value; hierarchy level 3):

The fair values of properties were determined 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. The fair values (measurement of fair value in line with hierarchy level 2) of properties in the UK and South Africa were determined by comparing against local market pricing, which involved asking local real estate agents about the square meter pricing of properties comparable in terms of location, the transport infrastructure and substance.

## 10 Intangible assets

### a) Goodwill

Goodwill developed as follows:

in € K	2014	2013
As at January 1	236,259	236,603
Foreign currency fluctuations	1,031	-344
<b>As at December 31</b>	<b>237,290</b>	<b>236,259</b>

### b) Other intangible assets

→ see fig. on p.126

The expected residual useful lives and residual book values of other intangible assets are as follows:

in € K	Book value on Dec. 31, 2014	Book value on Dec. 31, 2013	Useful life
Brands	64,838	64,838	indefinite
Customer base	1,305	1,631	5 years
Software development	2,767	783	1-9 years
<b>Total</b>	<b>68,910</b>	<b>67,252</b>	

Furthermore, other intangible assets include EUR K 22,000 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 K 42,838 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, Hans Neunteufel. Subject to certain guidelines, however, the company has an exclusive, irrevocable and unlimited license to use this brand in conjunction with the name "Wacker".

Intangible assets created internally refer to capitalized development costs.

The intangible assets in progress relate primarily to development costs for projects not yet completed at the closing date.

For technical reasons, the historical acquisition costs and the accumulated amortization were not shown correctly in other intangible assets. This item has now been corrected in the amounts carried forward as of January 1, 2013. This has no impact on the income statement, and the balance sheet values of (book values) of previous years were always correctly reported. The corrected historical acquisition costs as of January 1, 2013 amounted to EUR K 159,563 (previously EUR K 154,023), and the corrected accumulated depreciation as of January 1, 2013 amounted to EUR K 56,384 (previously EUR K 50,845). This resulted in an increase for both items of EUR K 5,540. Furthermore, a reclassification resulted in EUR K 717 being moved from the item "Licenses and similar rights" to the item "Other intangible assets".

### c) Impairment of goodwill and intangible assets with an unlimited useful life

The goodwill and indefinite-lived "Weidemann" and "Neuson" brands obtained through mergers are allocated for impairment testing to the following cash-generating units within the Americas or Europe segments:

- Weidemann GmbH (Germany)
- Wacker Neuson Production Americas LLC (subgroup/USA)
- Wacker Neuson Beteiligungs GmbH (subgroup/Austria)

## b) Other intangible assets

in € K	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
<b>Acquisition costs</b>					
Balance at January 1, 2014 (adjusted)	27,334	77,160	33,881	3,668	142,043
Exchange rate differences	1,411	618	1,642	98	3,769
Additions	1,849	2,294	11,338	975	16,456
Disposals	-775	-3,491	-406	-103	-4,775
Transfers	271	310	1,163	-1,744	0
<b>Balance at December 31, 2014</b>	<b>30,090</b>	<b>76,891</b>	<b>47,618</b>	<b>2,894</b>	<b>157,493</b>
<b>Accumulated depreciation</b>					
Balance at January 1, 2014 (adjusted)	14,726	9,908	8,904	0	33,538
Exchange rate differences	896	482	375	0	1,753
Additions	3,107	915	5,047	0	9,069
Disposals	-557	-3,323	-82	0	-3,962
Transfers	0	-1	1	0	0
<b>Balance at December 31, 2014</b>	<b>18,172</b>	<b>7,981</b>	<b>14,245</b>	<b>0</b>	<b>40,398</b>
<b>Book value at December 31, 2013 (adjusted)</b>	<b>12,608</b>	<b>67,252</b>	<b>24,977</b>	<b>3,668</b>	<b>108,505</b>
<b>Book value at December 31, 2014</b>	<b>11,918</b>	<b>68,910</b>	<b>33,373</b>	<b>2,894</b>	<b>117,095</b>
Useful life in years	3–8	1–7	5–6		

in € K	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
<b>Acquisition costs</b>					
Balance at January 1, 2013 (adjusted)	24,545	105,369	26,584	3,065	159,563
Exchange rate differences	-306	-224	-431	-35	-996
Additions	3,021	315	9,653	1,978	14,967
Disposals	-823	-28,300	-2,253	-115	-31,491
Transfers	897	0	328	-1,225	0
<b>Balance at December 31, 2013 (adjusted)</b>	<b>27,334</b>	<b>77,160</b>	<b>33,881</b>	<b>3,668</b>	<b>142,043</b>
<b>Accumulated depreciation</b>					
Balance at January 1, 2013 (adjusted)	13,009	35,339	8,036	0	56,384
Exchange rate differences	-113	-156	-81	0	-350
Additions	2,342	3,024	2,899	0	8,265
Disposals	-512	-28,299	-1,950	0	-30,761
<b>Stand 31. Dezember 2013 (adjusted)</b>	<b>14,726</b>	<b>9,908</b>	<b>8,904</b>	<b>0</b>	<b>33,538</b>
<b>Balance at December 31, 2012</b>	<b>12,253</b>	<b>69,312</b>	<b>18,548</b>	<b>3,065</b>	<b>103,178</b>
<b>Book value at December 31, 2013 (adjusted)</b>	<b>12,608</b>	<b>67,252</b>	<b>24,977</b>	<b>3,668</b>	<b>108,505</b>
Useful life in years	3–8	1–7	6	–	

The pro-rata book values break down as follows:

in € K	Dec. 31, 2014	Dec. 31, 2013
<b>Wacker Neuson Production Americas LLC (subgroup/USA)</b>		
Book value of goodwill	8,612	7,581
<b>Weidemann GmbH</b>		
Book value of goodwill	24,232	24,232
Book value of the indefinite-lived brand	22,000	22,000
<b>Wacker Neuson Beteiligungs GmbH (subgroup/Austria)</b>		
Book value of goodwill	204,446	204,446
Book value of the indefinite-lived brand	42,838	42,838
<b>Book value of goodwill</b>	<b>237,290</b>	<b>236,259</b>
<b>Book value of the indefinite-lived brand</b>	<b>64,838</b>	<b>64,838</b>

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. 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 2015 to 2024. Growth rates are determined for the first two budget years (up to 2016) 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 2017 to 2024, management anticipates results and growth rates that more strongly align with past values. Various scenarios with annual revenue growth of between 5 and 10 percent from 2017 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 revenue growth of just 2 percent as of 2017 was also calculated for the three cash-generating units. In addition to revenue 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 the management’s assessment of the risks associated with cash-generating units. This calculation includes a risk-free and risk-weighted rate. A weighted average cost of capital (WACC) after tax at a uniform rate of 9.07 percent (previous year: 9.24 percent) was applied.

**Price increases of raw materials:** 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. As in the previous year, a growth rate of 1 percent was projected for perpetual annuity.

**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 components:

in € K	Dec. 31, 2014	Dec. 31, 2013
Non-current trade receivables	13,022	6,838
Investment securities	1,557	2,206
Loans	24	25
Misc. other non-current financial assets	1,567	1,388
<b>Other non-current financial assets</b>	<b>16,170</b>	<b>10,457</b>
<b>Other non-current non-financial assets</b>	<b>1,589</b>	<b>1,681</b>
<b>Total</b>	<b>17,759</b>	<b>12,138</b>

Non-current trade receivables largely resulted from sales promotion activities in the US. Delivered products are subject to retention of title.

**12 Inventories**

in € K	Dec. 31, 2014	Dec. 31, 2013
Raw materials and supplies	109,290	79,683
Works in progress	18,143	13,604
Finished goods	296,603	240,525
<b>Total</b>	<b>424,036</b>	<b>333,812</b>

An expense of EUR K 851,137 (previous year: EUR K 756,281) was recorded under acquisition and manufacturing costs for inventories for 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 valuation allowances increased by EUR K 736 compared to the previous year (previous year: EUR K -1,020).

Similar to 2013, no inventories were pledged as collateral for liabilities during the period under review.

**13 Trade receivables**

Trade receivables have the following components:

in € K	Dec. 31, 2014	Dec. 31, 2013
Trade receivables at nominal value	181,909	171,297
Less allowance for doubtful accounts	-8,592	-7,344
<b>Total</b>	<b>173,317</b>	<b>163,953</b>

As of December 31, 2014, trade receivables (at nominal value) were broken down as follows:

in € K	2014	2013
Trade receivables	181,909	171,297
Nominal value of trade receivables written down or not due	171,287	162,537
Overdue at nominal value but not written down < 30 days	7,024	4,967
Overdue at nominal value but not written down 30–90 days	2,270	2,670
Overdue at nominal value but not written down > 90 days	1,328	1,123

Allowances for doubtful accounts developed as follows:

in € K	2014	2013
Balance at January 1	7,344	7,023
Exchange rate differences	90	-264
Additions	2,610	2,390
Amount used for write-offs	-974	-779
Reversals	-478	-1,026
<b>Balance at December 31</b>	<b>8,592</b>	<b>7,344</b>

Trade receivables are derived from trading with a large number of companies from different industries and regions. 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. At December 31, 2014, transfers by way of security of financial assets that have not been derecognized amounted to

EUR K 1,767. This specifically refers to trade receivables that have been sold, but for which the Group continues to bear the risk of customer default and has therefore not derecognized. Financial liabilities were recognized in the same amount.

#### 14 Other current assets

in € K	Dec. 31, 2014	Dec. 31, 2013
Receivables from customers	331	320
Interest receivables	63	82
Derivatives	0	4
Misc. other current financial assets	4,677	1,685
<b>Other current financial assets</b>	<b>5,071</b>	<b>2,091</b>
Sales tax	7,869	4,207
Advance payments	5,109	4,978
Advances to employees	192	173
Misc. other current non-financial assets	872	940
<b>Other current non-financial assets</b>	<b>14,042</b>	<b>10,298</b>
<b>Total</b>	<b>19,113</b>	<b>12,389</b>

The fair value is a reasonable approximation of the book value since all items have a maturity of less than one year.

#### 15 Cash and cash equivalents

in € K	Dec. 31, 2014	Dec. 31, 2013
Petty cash	12,257	12,396
Bank balances	1,808	3,003
Cash deposits	135	134
<b>Total</b>	<b>14,200</b>	<b>15,533</b>

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 yielded interest at the agreed prevailing rates.

Positive bank balances in the amount of EUR K 20,795 (including cash pool current account balances) (previous year: EUR K 32,528) were netted against cash pool current account liabilities amounting to EUR K 8,538 (previous year: EUR K 20,132), as a net balance (offset option) was agreed with the cash pool bank. Current account balances at December 31, 2014, after netting, amounted to EUR K 12,257 (previous year: EUR K 12,396).

#### 16 Total equity

As in the previous year, subscribed capital amounted to EUR K 70,140 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 € K	Dec. 31, 2014	Dec. 31, 2013
Capital reserves	618,661	618,661
Exchange rate differences	-13,722	-33,888
Other changes without effect	-15,531	-8,177
<b>Total</b>	<b>589,408</b>	<b>576,596</b>

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. The large change compared to the previous year is mainly due to the movement of the USD (see p. 115).

Other neutral changes include reserves for the recognition of gains and losses from revaluations of pensions and similar obligations, primarily actuarial gains and losses.

The company did not hold any treasury shares at December 31, 2014, nor at any point during the 2014 fiscal year or the previous year.

In 2014, the Group paid out EUR K 28,056 in dividends (EUR 0.40 per share). In 2013, it paid out EUR K 21,042 in dividends (EUR 0.30 per share). The proposed dividend payout for fiscal 2015 is EUR K 35,070 (EUR 0.50 per share). Proposed dividend payouts for no-par-value shares that require AGM approval were not recognized as a liability at December 31. Refer to the statement of changes in equity for further details on equity.

#### ■ Authorized Capital 2012

On May 22, 2012 at the AGM, the Executive Board was authorized to increase the company's share capital by May 21, 2017, 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 2012).

#### ■ Rights, preferential rights or 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".

## 17 Provisions for pensions and similar obligations

in € K	Dec. 31, 2014	Dec. 31, 2013
Provisions for pension obligations	44,840	35,264
Provisions for other obligations to employees	433	351
<b>Total</b>	<b>45,273</b>	<b>35,615</b>

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 respective employee's ranking (both with respect to salary as well as 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 also exist vis-à-vis Executive Board members as well as 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 respective pension insurance schemes either because of legal requirements or contracted 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:

	in	2014	2013
<b>Actuarial assumptions<sup>1</sup></b>			
Discount rate	%	2.08	3.51
Salary trends	%	0.35	0.39
Pension trends	%	1.81	1.97
Retirement age	Years	64	64

<sup>1</sup> Weighted average of the individual benefit schemes.

Pension obligations are distributed as follows:

in € K	2014	2013
Fair value of pension obligations, funded	25,205	19,777
Fair value of plan assets	-9,419	-8,014
<b>Shortfall in pension obligations, funded</b>	<b>15,786</b>	<b>11,763</b>
Fair value of pension obligations, not funded	29,487	23,852
<b>Shortfall in all pension obligations</b>	<b>45,273</b>	<b>35,615</b>
<b>Pension obligations</b>	<b>45,273</b>	<b>35,615</b>

The changes in the present value of pension obligations and of plan assets are as follows:

in € K	2014	2013
<b>Changes in the present value of pension obligations</b>		
Balance at January 1	43,629	42,440
Current service costs	704	766
Interest expense	1,511	1,444
New valuations:		
Actuarial gains/losses		
- from changes to demographic assumptions	97	-206
- from changes to financial assumptions	8,680	19
Experience adjustments	1,357	947
Changes in exchange rate	408	-173
Paid benefits	-1,664	-1,762
Past service cost	-30	154
<b>Balance at December 31</b>	<b>54,692</b>	<b>43,629</b>

in € K	2014	2013
<b>Changes in fair value of plan assets</b>		
Balance at January 1	8,014	6,747
Interest income	312	266
Changes in exchange rate	15	-66
New valuations:		
Experience adjustments	-212	-185
Employer's contributions	1,416	1,412
Payouts	-126	-160
<b>Balance at December 31</b>	<b>9,419</b>	<b>8,014</b>

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 K 9,419 (previous year: EUR K 8,014).

The average term of a defined benefit obligation was 15.7 years at the close of the reporting period (previous year: 14.4 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 € K	2014	2013
Current service costs	704	766
Interest expense for pension obligations	1,511	1,444
Net interest	-312	-266
Past service cost	-30	154
<b>Pension expense from defined contribution plans</b>	<b>1,873</b>	<b>2,098</b>
<b>Pension expense from defined contribution plans</b>	<b>653</b>	<b>616</b>
<b>Total contributions to statutory pension insurance schemes</b>	<b>15,128</b>	<b>14,587</b>
<b>Total pension expense</b>	<b>17,654</b>	<b>17,301</b>

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 plan 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 plan 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 plan assets in 2015 amount to EUR K 1,413 (previous year: EUR K 1,513).

The following overview shows the projected pension pay-outs for the next five years:

in € K	
Due in 2015	2,232
Due in 2016	1,968
Due in 2017	2,219
Due in 2018	2,058
Due in 2019	2,037

The following overview shows the sensitivity of key actuarial assumptions:

in € K	as a %	Sensitivity	Increase in valuation parameters	Decrease in valuation parameters
Discount rate	2.08	+/- 1.00 %	-6,988	8,898
Salary trends	0.35	+/- 0.50 %	39	-35
Pension trends	1.81	+/- 0.50 %	3,613	-3,262

The sensitivity analysis shows how the value of pension obligations would develop if the 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 actual return on plan assets was recognized for fiscal years 2014 and 2013:

in € K	2014	2013
Actual return on plan assets	100	81

The following table shows the effects of a one percentage point increase or reduction in healthcare costs:

in € K	Additions	Reversals
<b>2014</b>		
Effect on the present value of pension obligations	294	-230
<b>2013</b>		
Effect on the present value of pension obligations	198	-162



The present value of obligations as well as pension pay-outs and revaluations are distributed as follows across pension obligations and healthcare contributions:

in € K	2014	2013
<b>Provisions for pensions recorded in the balance sheet</b>		
Pension obligations	43,739	34,235
Healthcare	1,534	1,380
<b>Total</b>	<b>45,273</b>	<b>35,615</b>
<b>Pension expenses listed under EBIT</b>		
Pension obligations	646	920
Healthcare	28	0
<b>Total</b>	<b>674</b>	<b>920</b>
<b>New valuations</b>		
Pension obligations	10,428	953
Healthcare	-83	-8
<b>Total</b>	<b>10,345</b>	<b>945</b>

## 18 Other provisions

The provisions are as follows:

in € K	Balance Jan. 1, 2014	Currency	Utilization	Additions	Reversals	Balance Dec. 31, 2014
<b>Provisions</b>						
Warranties	8,312	100	2,004	3,803	614	9,597
Obligations towards employees	6,338	17	2,486	1,977	256	5,590
Professional fees	464	2	439	227	16	238
Litigation costs	351	2	67	121	212	195
Other provisions	1,366	125	1,366	1,361	194	1,292
<b>Total</b>	<b>16,831</b>	<b>246</b>	<b>6,362</b>	<b>7,489</b>	<b>1,292</b>	<b>16,912</b>

in € K	Balance Jan. 1, 2013	Currency	Utilization	Additions	Reversals	Balance Dec. 31, 2013
<b>Provisions</b>						
Warranties	8,971	-185	3,301	3,457	630	8,312
Obligations towards employees	4,766	-96	1,793	3,630	169	6,338
Professional fees	454	-3	423	464	28	464
Litigation costs	471	-9	112	139	138	351
Other provisions	1,175	-26	733	1,262	312	1,366
<b>Total</b>	<b>15,837</b>	<b>-319</b>	<b>6,362</b>	<b>8,952</b>	<b>1,277</b>	<b>16,831</b>

The due dates of the above provisions are distributed as follows:

in € K	Short-term (< 1 year)	Long-term (> 1 year)	Balance Dec. 31, 2014
<b>Provisions</b>			
Warranties	8,841	756	9,597
Obligations towards employees	2,396	3,194	5,590
Professional fees	238	0	238
Litigation costs	131	64	195
Other provisions	1,221	71	1,292
<b>Total</b>	<b>12,827</b>	<b>4,085</b>	<b>16,912</b>

in € K	Short-term (< 1 year)	Long-term (> 1 year)	Balance Dec. 31, 2013
<b>Provisions</b>			
Warranties	7,637	675	8,312
Obligations towards employees	3,648	2,690	6,338
Professional fees	464	0	464
Litigation costs	136	215	351
Other provisions	1,063	303	1,366
<b>Total</b>	<b>12,948</b>	<b>3,883</b>	<b>16,831</b>

Company obligations from employee work accounts are offset against securities classified as assets, which are created in order to secure these claims. Obligations from work accounts amount to EUR K 3,058 (previous year: EUR K 2,448). The cost of acquiring the securities amounts to EUR K 2,809 (previous year: EUR K 2,286) and the fair value at December 31, 2014 was EUR K 3,058 (previous year: EUR K 2,448), of which EUR K 3,058 is offset (previous year: EUR K 2,448).

## 19 Financial liabilities

Financial liabilities comprise the amounts recognized under the balance sheet items “Long-term financial borrowings” EUR K 126,593 (previous year: EUR K 130,594); “Short-term borrowings from banks” EUR K 66,682 (previous year: EUR K 61,698); and “Current portion of long-term borrowings” EUR K 441 (previous year: EUR K 428).

The book values of financial liabilities developed as follows:

in € K	Dec. 31, 2014	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	73,907	67,029	6,878	0
Schuldschein loan agreements	119,715	0	119,715	0
Liabilities from finance leases	94	94	0	0
<b>Total</b>	<b>193,716</b>	<b>67,123</b>	<b>126,593</b>	<b>0</b>

in € K	Dec. 31, 2013	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	72,917	62,025	8,859	2,033
Schuldschein loan agreements	119,603	0	89,715	29,888
Liabilities from finance leases	200	101	99	0
<b>Total</b>	<b>192,720</b>	<b>62,126</b>	<b>98,673</b>	<b>31,921</b>

The following table shows the remaining contractual periods of the financial liabilities at December 31, 2014 together with the estimated interest payments. These are undiscounted gross amounts which include the estimated interest payments.

in € K	Dec. 31, 2014	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	74,496	67,327	7,169	0
Schuldschein loan agreements	133,301	3,797	129,504	0
Liabilities from finance leases	100	100	0	0
<b>Total</b>	<b>207,897</b>	<b>71,224</b>	<b>136,673</b>	<b>0</b>

in € K	Dec. 31, 2013	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	73,944	62,465	9,446	2,033
Schuldschein loan agreements	136,986	3,797	102,203	30,986
Liabilities from finance leases	200	101	99	0
<b>Total</b>	<b>211,130</b>	<b>66,363</b>	<b>111,748</b>	<b>33,019</b>

### Borrowings from banks

Borrowings from banks include the following items:

Borrowings from banks	Dec. 31, 2014 in € K	Interest rate as a percentage	Interest rate type	Due dates
Long-term loan	3,556	6.00	fixed	> 1 year in annuities by 2017
Money market loans in SEK	7,988	0.75	fixed	< 1 year
Money market loans in PLN	7,976	3.72	fixed	< 1 year
Money market loans in HKD	7,436	0.90	fixed	< 1 year
Money market loans in NOK	2,768	2.05	fixed	< 1 year
<b>Subtotal on fixed interest rate loans</b>	<b>29,724</b>			
Loan to purchase a tract of land	3,333	6 mo. Euribor + 1.85	variable	January 1, 2016
Money market loans in EUR	1,437	0.1–3.9	variable	< 1 year
Money market loans in EUR	28,392	Euribor + (0.10–0.99)	variable	< 1 year
Money market loans in USD	8,914	Libor + (0.10–0.99)	variable	< 1 year
Money market loans in USD	5	0.1–3.9	variable	< 1 year
Loans in Brazilian reals	1,373	11.10	variable	< 1 year
Loans in Brazilian reals	336	11.10	variable	> 1 year
Loans in Chilean pesos	393	7.52	variable	< 1 year
<b>Subtotal on variable interest rate loans</b>	<b>44,183</b>			
<b>Total</b>	<b>73,907</b>			

	Dec. 31, 2013 in € K	Interest rate as a percentage	Interest rate type	Due dates
Borrowings from banks				
Long-term loan	3,883	6.00	fixed	> 1 year in annuities by 2017
<b>Subtotal on fixed interest rate loans</b>	<b>3,883</b>			
Loan to purchase a tract of land	6,666	6 mo. Euribor + 1.85	variable	January 1, 2016
Money market loans in EUR	1,676	0.1–3.9	variable	< 1 year
Money market loans in EUR	44,788	Euribor + (0.80–0.99)	variable	< 1 year
Money market loans in USD	195	1.42	variable	< 1 year
Geldmarktkredite in PLN	9,629	3.30	variable	< 1 year
Loans in Brazilian reals	1,912	13.60	variable	< 1 year
Loans in Brazilian reals	668	13.60	variable	> 1 year
Loans in Chilean pesos	3,500	8.52	variable	< 1 year
<b>Subtotal on variable interest rate loans</b>	<b>69,034</b>			
<b>Total</b>	<b>72,917</b>			

Refer to item 29 “Risk management” in these Notes for information on the sensitivity of interest risks associated with variable-interest borrowings.

The following table lists the credit lines that have been confirmed but were not utilized by Wacker Neuson SE:

in € K	2014
First credit line EUR/USD (Euribor + 0.85%)	27,376
Second credit line EUR/USD (3 mo. Euribor + 0.80%/ USD Libor + 1%)	36,236
Third credit line USD	14,203
Fourth credit line USD	11,549
Fifth credit line EUR	636
Sixth credit line EUR	33,750
Seventh credit line EUR	34,936
Eighth credit line EUR	25,000
Ninth credit line EUR	10,000
Tenth credit line EUR	538
Eleventh credit line EUR	20,160
Twelfth credit line BRL	1,956
Thirteenth credit line TRY	122
Fourteenth credit line BRL	1,922
Fifteenth credit line EUR	300
Sixteenth credit line RSD	86
Seventeenth credit line CLP	2,371
Eighteenth credit line JPY	689
Nineteenth credit line EUR	10,000
<b>Total</b>	<b>231,830</b>

in € K	2013
First credit line EUR (Euribor + 0.85%)	25,440
Second credit line EUR/USD (3 mo. Euribor + 0.80%/ USD Libor + 1%)	25,153
Third credit line USD	17,048
Fourth credit line USD	14,502
Fifth credit line EUR	30,371
Sixth credit line EUR	308
Seventh credit line EUR	15,000
Eighth credit line EUR	44,940
Ninth credit line EUR	25,000
Tenth credit line EUR	19,978
Eleventh credit line EUR	16,586
Twelfth credit line BRL	1,769
Thirteenth credit line TRY	117
Fourteenth credit line BRL	1,177
Fifteenth credit line EUR	300
Sixteenth credit line RSD	61
Seventeenth credit line CLP	828
Eighteenth credit line EUR	10,000
<b>Total</b>	<b>248,578</b>

The book values of borrowings from banks with variable and fixed interest rates were reported in the following currencies (equivalent in EUR):

in € K	2014	2013
Euro	36,718	57,012
USD (USA)	8,919	195
BRL (Brazil)	1,709	2,581
CLP (Chile)	393	3,500
SEK (Sweden)	7,988	0
PLN (Poland)	7,976	9,629
HKD (Hong Kong)	7,436	0
NOK (Norway)	2,768	0
<b>Total</b>	<b>73,907</b>	<b>72,917</b>

The fair value for the Schuldschein loan agreement amounted to EUR K 127,126 at December 31, 2014 (previous year: EUR K 124,305); the fair value was measured in line with hierarchy level 3. All other fair values of financial liabilities are reasonable approximations of the book values.

### Schuldschein loan agreement

In the previous year, two tranches of a Schuldschein loan agreement were issued:

in € K	Dec. 31, 2014 Repayment amount	Dec. 31, 2014 Transaction fees	Dec. 31, 2014 Total nominal value	Dec. 31, 2014 Interest rate as a %	Due date
Schuldschein loan agreement – Tranche I	90,000	195	89,805	3.00	February 2017
Schuldschein loan agreement – Tranche II	30,000	90	29,910	3.66	February 2019
<b>Total</b>	<b>120,000</b>	<b>285</b>	<b>119,715</b>		

Liquid funds payable from the Schuldschein loan agreement refer to annual interest through 2017 on the first tranche amounting to EUR 2.7 million and a repayment in the amount of EUR 90 million to be made on February 27, 2017. 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 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 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<sup>1</sup> of 30 percent has been agreed as a binding financial covenant. The covenants were observed in the fiscal year under review.

### 20 Trade payables

As of December 31, 2014, trade payables (at book value) were broken down as follows:

in € K	2014	2013
Trade payables	65,187	44,702
Book value due < 30 days	53,062	35,627
Book value due 30–90 days	11,708	8,804
Book value due > 90 days	417	271

Interest does not accrue on trade payables.

### 21 Other current liabilities

in € K	Dec. 31, 2014	Dec. 31, 2013
Other accruals/deferrals	22,305	19,603
Liabilities to customers	1,318	1,159
Misc. other current financial liabilities	1,598	1,449
Derivatives	126	30
<b>Other current financial liabilities</b>	<b>25,347</b>	<b>22,241</b>
Personnel accruals/deferrals	20,846	16,315
Tax accruals/deferrals and tax liabilities	19,468	10,916
Sales tax liabilities	7,612	7,803
Advance payments received	1,119	1,923
Other	1,320	561
<b>Other current non-financial liabilities</b>	<b>50,365</b>	<b>37,518</b>
<b>Total</b>	<b>75,712</b>	<b>59,759</b>

The other accruals in 2014 mainly consist of outstanding invoices.

The fair values of the current liabilities are reasonable approximations of the book values.

<sup>1</sup> Ratio of equity before minority interests to total capital.

## 22 Derivative financial instruments

### Derivative financial instruments not treated according to hedge accounting criteria

The derivatives concluded to economically hedge future foreign-exchange transactions (underlying transaction) and to hedge interest rates 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 per December 31, 2014 and December 31, 2013:

in € K	Dec. 31, 2014		Dec. 31, 2013	
	Nominal value	Market value	Nominal value	Market value
<b>Assets</b>				
Currency hedges	0	0	435	4
Interest hedges	10,000	0	24,502	0
<b>Total</b>	<b>10,000</b>	<b>0</b>	<b>24,937</b>	<b>4</b>
<b>Liabilities</b>				
Currency hedges	11,442	126	21,120	30
<b>Total</b>	<b>11,442</b>	<b>126</b>	<b>21,120</b>	<b>30</b>

Refer to item 25 “Additional information on financial instruments” in these Notes for information regarding net profits and losses from these financial instruments.

in € K	Up to 1 year	1 to 5 years	Over 5 years
	Nominal value		
<b>Assets</b>			
Interest hedges	0	10,000	0
<b>Total</b>	<b>0</b>	<b>10,000</b>	<b>0</b>
<b>Liabilities</b>			
Currency hedges	11,442	0	0
<b>Total</b>	<b>11,442</b>	<b>0</b>	<b>0</b>

The book values of derivatives correspond to the fair values and 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

### 23 Contingent liabilities

Contingent liabilities, on the one hand, represent possible obligations that may be incurred depending on the outcome 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 € K	Dec. 31, 2014	Dec. 31, 2013
Guarantees	1,477	1,521

Furthermore, the Group is liable to the amount of EUR 4.1 million (previous year: EUR 4.1 million) in connection with a contract with the city of Munich to develop a property.

### 24 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 € K	Dec. 31, 2014	Dec. 31, 2013
Obligations due within 1 year	13,663	12,515
Obligations due in 1 to 5 years	19,195	16,544
Obligations due in more than 5 years	7,975	5,705
<b>Total</b>	<b>40,834</b>	<b>34,764</b>

#### b) Lease obligations

##### Finance lease obligations

##### When the Group is the lessee

Finance lease contracts mainly concern the purchase of real estate.

The following table lists the net book values of the relevant assets at the closing date:

in € K	Dec. 31, 2014	Dec. 31, 2013
Office and other equipment	0	22
Buildings	607	640
<b>Total</b>	<b>607</b>	<b>662</b>

The real estate lease contract concerns the leasing of a self-occupied administration building by the Hungarian affiliate Wacker Neuson Kft., which runs until 2015.

in € K 2014	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	100	0	0	100
Less discount	-6	0	0	-6
<b>Present value</b>	<b>94</b>	<b>0</b>	<b>0</b>	<b>94</b>

Discount rate	5.95 %
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in € K 2013	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	107	105	0	212
Less discount	-6	-6	0	-12
<b>Present value</b>	<b>101</b>	<b>99</b>	<b>0</b>	<b>200</b>

Discount rate	5.95 %
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## Operating leases

### When the Group is the lessee

To the extent that a Group entity 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:

in € K 2014	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	3,269	6,139	0	9,408

in € K 2013	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	3,124	4,568	43	7,735

In 2014, a total of EUR K 4,522 (previous year: EUR K 4,099) for operating lease agreements was expensed.

### 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 K 1,178 (previous year: EUR K 1,756) were recorded as income.

### c) Obligations resulting from investment decisions/ takeback obligations

Financial obligations ensuing from construction and investment projects amounting to EUR K 4,177 (previous year: EUR K 2,907) and from takeback obligations amounting to EUR K 27,008 (previous year: EUR K 1,131) exist. The reason for this increase was that due to strong demand for short-term inventory financing for our dealers in the US and Canada, financing partners were supported with takeback obligations in order that they could make sufficient limits available. In addition, unconditional purchase commitments amounting to EUR K 160,338 also exist (previous year: EUR K 140,418).

### 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. As of December 31, 2014, the company is involved in a number of individual cases with immaterial consequences, but is not involved in any proceedings of material substance.



## 25 Additional information on financial instruments

The book and fair values of financial assets and liabilities are presented in the following table. It also shows how the individual items are categorized.

in € K	2014 Fair value	2014 Book value	Initial disclosure	Held for trading	Held for sale	Hedges	Loans and receiv- ables	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 residual book value		
<b>Assets</b>									
Other non-current financial assets	16,170	16,170	0	0	1,554	0	14,616	0	0
Trade receivables	173,317	173,317	0	0	0	0	173,317	0	0
Other current financial assets	5,071	5,071	0	0	0	0	5,071	0	0
Cash and cash equivalents	14,200	14,200	0	0	0	0	14,065	0	135

in € K	2014 Fair value	2014 Book value	Initial disclosure	Held for trading	At residual book value	Hedges	Leases and others (book value)
IAS 39 classification (book value)							
			Measured at fair value recognized in the income statement		At amortized cost	Measured at fair value with changes recognized in equity	
<b>Liabilities</b>							
Long-term borrowings	134,004	126,593	0	0	126,593	0	0
Trade payables	65,187	65,187	0	0	65,187	0	0
Short-term borrowings from banks	66,682	66,682	0	0	66,682	0	0
Current portion of long-term borrowings	441	441	0	0	347	0	94
Other short-term financial borrowings	25,347	25,347	0	126	25,221	0	0

in € K	2013 Fair value	2013 Book value	Initial disclo- sure	Held for trading	Held for sale	Hedges	Loans and receiv- ables	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 residual book value		
<b>Assets</b>														
Other non-current financial assets	10,457	10,457	0	0	1,554	0	8,903	0	0					
Trade receivables	163,953	163,953	0	0	0	0	163,953	0	0					
Other current financial assets	2,091	2,091	0	0	0	0	2,087	0	0					
Cash and cash equivalents	15,533	15,533	0	0	0	0	15,399	0	134					

in € K	2013 Fair value	2013 Book value	Initial disclosure	Held for trading	At residual book value	Hedges	Leases and others (book value)			
								IAS 39 classification (book value)		
								Measured at fair value recognized in the income statement	At amortized cost	Measured at fair value with changes recognized in equity
<b>Liabilities</b>										
Long-term borrowings	135,295	130,594	0	0	130,495	0	99			
Trade payables	44,702	44,702	0	0	44,702	0	0			
Short-term borrowings from banks	61,689	61,698	0	0	61,698	0	0			
Current portion of long-term borrowings	428	428	0	0	327	0	101			
Other short-term financial borrowings	22,241	22,241	0	30	22,211	0	0			

The following table shows the net profits and losses from financial instruments based on valuation categories. It does not include the effects on income of finance leases as these are not allocated to any valuation categories set down in IAS 39. Similarly, interest and dividends have not been recognized on the net profits and losses from financial instruments.

in € K	2014	2013
Loans and receivables	-2,828	-2,174
Financial liabilities measured at amortized cost	9,306	-4,120

Net gain/loss in the category “loans and receivables” 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 K 873; previous year: EUR K 110) and total interest expense (EUR K 6,073; previous year: EUR K 5,774) 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 proceeds to the value of EUR K 2,124 (previous year: expense of EUR K 71), which are reported in the cost of sales.

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 € K	Level 1	Level 2	Level 3	Dec. 31, 2014
<b>Financial assets categorized “measured at fair value recognized in the income statement”</b>				
Non-hedged derivatives	0	0	0	0
<b>Financial assets categorized “measured at fair value not recognized in the income statement”</b>				
Securities	1,554	0	0	1,554
<b>Financial liabilities categorized “measured at fair value recognized in the income statement”</b>				
Non-hedged derivatives	0	126	0	126

in € K	Level 1	Level 2	Level 3	Dec. 31, 2013
<b>Financial assets categorized “measured at fair value recognized in the income statement”</b>				
Non-hedged derivatives	0	4	0	4
<b>Financial assets categorized “measured at fair value not recognized in the income statement”</b>				
Securities	1,554	0	0	1,554
<b>Financial liabilities categorized “measured at fair value recognized in the income statement”</b>				
Non-hedged derivatives	0	30	0	30

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, 2014, 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.

## 26 Events since the balance sheet date

There have been no events since the reporting date that could have a significant impact on the Group's earnings, financials and assets.

## 27 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

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 covered in a separate Note.

Internal reporting reveals segment revenue and segment earnings, expressed as EBIT. EBITDA is also disclosed as a profit indicator.

The figures for working capital and net financial debt are also derived from internal reporting and included in external segment reporting for operating segments as segment assets and segment liabilities. Working capital comprises inventory plus trade receivables minus trade payables. Net financial debt refers to long-term financial borrowings, short-term borrowings from banks and the current portion of long-term financial borrowings less cash and cash equivalents.

The operating segments are reported after elimination of transactions that have taken place within segments. The consolidation column thus contains only the eliminated transactions that took place between operating segments.

Revenue from external customers, categorized according to products and services, are recognized at company level. No individual customer accounted for more than 10 percent of Group revenue.

#### EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization.

### 28 Cash flow statement

The cash flow statement is prepared in accordance with IAS 7. The cash flow statement reports cash flows resulting from operating activities, from investing activities as well as from financing activities. Insofar as changes in cash and cash equivalents are due to foreign exchange rate fluctuations, these are reported separately. The determination of cash flow from operating activities was derived using the indirect method.

Current liquid funds comprise cash and cash equivalents that are as reported on the balance sheet. Short-term borrowings from banks in the Group cash pool were offset against cash and cash equivalents.

Please refer to item 15 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.

The item "Book value from the disposal of rental equipment" recognized in the cash flow from operating activities includes the book values of rental equipment formerly recognized under fixed assets and reclassified on sale of the equipment as current assets.

Cash flow from investment activities comprises the cash outlay for intangible assets and property, plant and equipment.

Cash flow from financing activities contains payments received from and made to shareholders. It also contains payments resulting from borrowing and repayment of debt.

The previous year's cash flow has been adjusted in line with the change in how the cash flow is presented in the period under review. In fiscal 2014, the Group determined the currency-related adjustment of all balance sheet items and allocated these individually instead of netting them under "Other non-cash income/expenditure" within the cash flow from operating activities. The previous fiscal year was adjusted as follows.

in € K	2013 as reported	Adjustment	2013 adjusted
Cash flow from operating activities	132,584	-1,518	131,066
Cash flow from investment activities	-75,874	-	-75,874
Cash flow from financing activities	-60,067	2,714	-57,353
Decrease in cash and cash equivalents	-3,357	1,196	-2,161
Effect of exchange rates on cash and cash equivalents	23	-1,196	-1,173
Change in cash and cash equivalents	-3,334	-	-3,334

## 29 Risk management

### Capital management

The main aim of the Group's capital management policy is to maintain a high equity ratio to support 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, 2014 and December 31, 2013, 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 under the terms of a Schuldschein loan agreement. For further information, please refer to item 19 "Financial liabilities" in these Notes.

in € K	Dec. 31, 2014	Dec. 31, 2013
Current financial liabilities	67,123	62,126
Short-term financial liabilities	66,682	61,698
Current portion of long-term financial liabilities	441	428
Non-current financial liabilities (without provisions)	126,593	130,594
Total equity before minority interests	1,011,749	935,481
<b>Total capitalization</b>	<b>1,205,465</b>	<b>1,128,201</b>

in € K	Dec. 31, 2014	Dec. 31, 2013
Current net financial liabilities	52,923	46,593
Short-term liabilities	67,123	62,126
plus liquid funds	-14,200	-15,533
Net financial debt	179,516	177,187
Current net financial liabilities	52,923	46,593
plus non-current financial liabilities	126,593	130,594

### 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 the general policy of the company to reduce these risks through systematic financial management. 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 (EUR). 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:

	2014	2013
USD currency trends as a %	+5.00/-5.00	+5.00/-5.00
Impact on profit before tax (EBT) in € K	-4,446/4,742	-4,538/5,016
Impact on equity in € K	-4,446/4,742	-4,538/5,016

Group profit was hardly affected by exchange rate fluctuations arising from the international flow of goods due to natural currency hedging, in particular with regard to the euro/US dollar. In 2014, the average EUR/USD exchange rate was EUR 1 to USD 1.32 (previous year: EUR 1 to USD 1.33).

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 less impairment represents the maximum default risk. For further information on the book value of financial assets, please refer to item 25 "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 our active accounts receivable management policy, partner "healthchecks" 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 market value of financial instruments.

The Group hedges some of its cash flow against interest rate risks arising from borrowings with variable interest rates primarily by means of interest rate swaps (payer swaps), which, taking the prevailing economic climate into consideration, convert the variable interest rate positions into positions with fixed interest rates.

Of the total financial liabilities listed in item 19 "Financial liabilities" in these Notes (EUR K 193,716; previous

year: EUR K 192,720), EUR K 149,533 (previous year: EUR K 123,686) is attributable to fixed interest rate liabilities, which are not subject to changes in interest rate, and EUR K 44,183 (previous year: EUR K 69,034) to variable interest rate liabilities.

The following table shows how the Group's earnings before tax would respond to changes in interest rates that could be reasonably expected to occur based on the impact this would have on variable interest rate loans (EUR K 44,183; previous year: EUR K 69,034) and bank balances (EUR K 155; previous year: EUR K 154) resulting from a Group-wide cash pool system.

The effects on Group earnings before tax also reflect the impact on equity.

in € K	Book value at Dec. 31, 2014	Interest 2014	Impact on profit before tax (increase of 0.20%)	Impact on profit before tax (decrease of 0.20%)
<b>Financial assets with variable interest rates</b>				
Bank balances cash pool	155	- 0.13%	0	0
<b>Financial liabilities with variable interest rates</b>				
Other borrowings from banks	44,183	2.52%	-88	88
<b>Total</b>			<b>-88</b>	<b>88</b>

in € K	Book value at Dec. 31, 2013	Interest 2013	Impact on profit before tax (increase of 0.20%)	Impact on profit before tax (decrease of 0.20%)
<b>Financial assets with variable interest rates</b>				
Bank balances cash pool	154	0.13%	0	0
<b>Financial liabilities with variable interest rates</b>				
Other borrowings from banks	69,034	2.45%	-138	138
<b>Total</b>			<b>-138</b>	<b>138</b>



### Liquidity risks

Liquidity risks involve the availability of funds needed to meet payment obligations on time. The company is assured a supply of liquid funds at all times by the lines of credit it is not currently using. Liquidity is managed by the Group's treasury department via a Group-wide cash pool system. Refer to item 19 "Financial liabilities" in these Notes for further information on existing credit lines and financial covenants.

## 30 Executive bodies

### Executive Board

In the year under review, the Executive Board comprised the following three members:

- Cem Peksaglam, CEO, responsible for Group strategy, sales (incl. service, rental, training and logistics), Group marketing, investor relations and corporate communication, compliance, HR, legal matters, real estate and sustainability.
- Martin Lehner, Deputy CEO, responsible for technology, plants, research and development, procurement and quality management.
- Günther Binder, responsible for finance, controlling, Group auditing and IT.

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 members are members of the Supervisory Board of Wacker Neuson SE or were members of the Supervisory Board during the year under review:

- Hans Neunteufel, engineer, Chairman of the PIN Private Trust (PIN Privatstiftung), in Linz, Austria, Chairman of the Supervisory Board
- Dr. Matthias Bruse, attorney-at-law and partner at the P+P Pöllath+Partners law firm, Munich, Germany, Deputy Chairman of the Supervisory Board (until May 27, 2014)

- Hans Haßlach, Chairman of the Kramer-Werke GmbH Works Council, Deputy Chairman of the Group Works council, Deputy Chairman of the SE Works Council, UHdingen-Mühlhofen, Germany
- Kurt Helletzgruber, businessman, member of the board of the PIN Private Trust (PIN Privatstiftung), Linz, Austria
- Dr. Eberhard Kollmar, attorney-at-law and partner at the Kollmar, Deby & Sinz Rechtsanwalts-gesellschaft mbH law firm, Munich, Germany, Deputy Chairman of the Supervisory Board (until May 27, 2014)
- Prof. Dr. Matthias Schüppen, attorney at law, auditor, tax adviser and partner at the GRAF KANITZ, SCHÜPPEN & PARTNER law firm, Stuttgart, Germany (from May 27, 2014)
- Elvis Schwarzmaier, Chairman of the Reichertshofen Works Council and Chairman of the Group Works Council and the SE Works Council, Rohrbach, Germany
- Ralph Wacker, civil engineer and managing partner of wacker+mattnr GmbH, Munich, Germany, Deputy Chairman of the Supervisory Board (from May 27, 2014)

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 2014. 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 commercial companies:

- Hans Neunteufel  
Chairman of the Supervisory Board of Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz, Austria
- Dr. Matthias Bruse  
1) Member of the Supervisory Board of Klöpfer & Königer GmbH & Co. KG, Garching, Germany  
2) Member of the Supervisory Board of SURTECO SE, Buttenwiesen, Germany
- Kurt Helletzgruber  
Member of the Supervisory Board of HTI High Tech Industries AG, St. Marien bei Neuhofen, Austria
- Prof. Dr. Matthias Schüppen  
Chairman of the Supervisory Board of ACCERA AG, Mannheim, Germany

For information on the remuneration of the Executive and Supervisory Boards, as well as remuneration of former Board members, please refer to item 31 "Related party disclosures" in these Notes.

### 31 Related party disclosures

In the case of the Group, IAS 24 defines a related party necessitating disclosures as shareholders, entities over which shareholders have control or significant influence (sister companies), non-consolidated companies, members of the Executive Board, members of the Supervisory Board and the pension fund.

Key trade relations with related parties were as follows during the period under review:

in € K	Current receivables Dec. 31, 2014	Current payables Dec. 31, 2014	Expenses for business transactions 2014	Income for business transactions 2014
Relations with shareholders	244	157	754	931
Relations with sister companies	31	23	784	201
Relations with non-consolidated companies	4,238	202	140	2,608
Pension fund	0	21	0	0
<b>Total</b>	<b>4,513</b>	<b>403</b>	<b>1,678</b>	<b>3,740</b>

in € K	Current receivables Dec. 31, 2013	Current payables Dec. 31, 2013	Expenses for business transactions 2013	Income for business transactions 2013
Relations with shareholders	162	124	560	1,100
Relations with sister companies	17	16	777	6,263
Relations with non-consolidated companies	6	0	0	0
Pension fund	6	0	0	0
<b>Total</b>	<b>191</b>	<b>140</b>	<b>1,337</b>	<b>7,363</b>

Relations with shareholders resulted mainly from goods and services traded with a shareholder. The goods and services delivered to the shareholder were valued at EUR K 838 (previous year: EUR K 998). These were counterbalanced with goods and services received from the shareholder to the value of EUR K 754 (previous year: EUR K 558). 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.

Relations with non-consolidated companies resulted from goods and services traded between the parent company and companies that are not included in the consolidation structure although the parent company has a shareholding in these entities (see general information on accounting standards/consolidation structure). The pension fund is matched solely with a provision for voluntary support and pension benefits for employees both in the year under review and the prior fiscal year.

Total remuneration for the Executive Board in the period under review amounted to EUR K 3,240 (previous year: EUR K 4,924) of which EUR K 0 (previous year: EUR K 1,385) was paid out in connection with termination of employment. Total remuneration for the Supervisory Board for the same period amounted to

EUR K 562 (previous year: EUR K 512). At the AGM on May 26, 2011, a resolution was passed to refrain from itemizing this information in accordance with Section 285 (1) No. 9a sentences 5 to 8 in conjunction with Section 314 (2) sentence 2 HGB in conjunction with Section 315a (1) HGB. At the closing date, short-term payables to the Executive Board in the amount of EUR K 1,466 were outstanding (previous year: EUR K 1,600).

Retirement commitments were agreed upon for members of the Executive Board. The value of pension obligations at the end of the accounting period totaled EUR K 4,147 (previous year: EUR K 2,320). The increase in value (allocation) amounted to EUR K 1,826 (previous year: repayment of EUR K 2,084). The value of pension obligations is based on pension 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 17 "Provisions for pensions and similar obligations" in these Notes.

Due to respective agreements, pension agreements have also been concluded with former members of the Executive Board. The value of these pension obligations at the end of the accounting period totaled EUR K 28,707 (previous year: EUR K 23,850). In the period under review, EUR K 666 (previous year: EUR K 2,052) was paid to former Executive Board members.

### 32 Auditor's fee

The auditor's fee is disclosed as an expense in fiscal 2014 and is broken down as follows:

in € K	2014	2013
Auditing services	777	752
Other approval and assessment services	256	202
Tax consultation services	329	423
Other services	107	64

### 33 Declaration regarding the German Corporate Governance Code

The Executive and Supervisory Boards 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.corporate.wackerneuson.com](http://www.corporate.wackerneuson.com).

### 34 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 2014:

Company name	City
Kramer-Werke GmbH	Pfullendorf
Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf
Wacker Neuson Produktion GmbH & Co. KG	Munich
Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich
Wacker Neuson Vertrieb Europa GmbH & Co. KG	Munich
Weidemann GmbH	Diemelsee-Flechtdorf
Wacker Neuson Immobilien GmbH	Überlingen

Munich, March 4, 2015

Wacker Neuson SE

The Executive Board

Cem Peksaglam  
(CEO)

Günther C. Binder

Martin Lehner  
(Deputy CEO)

# 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, financials and earnings of the Wacker Neuson Group, and the Combined Management Report includes a fair review of the development and performance of the business and the position of the Wacker Neuson Group and Wacker Neuson SE, together with a description of the principal opportunities and risks associated with the expected development of the Wacker Neuson Group and Wacker Neuson SE.”

Munich, March 4, 2015

Wacker Neuson SE, Munich

The Executive Board

Cem Peksaglam  
(CEO)

Günther C. Binder

Martin Lehner  
(Deputy CEO)

# Unqualified Auditor's Opinion

The following auditor's opinion is based on the Consolidated Financial Statements and Combined Management Report of the Wacker Neuson Group:

"We have audited the Consolidated Financial Statements prepared by Wacker Neuson SE, Munich, Germany, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the Notes to the Consolidated Financial Statements, together with the Group Management Report, which is combined with the Management Report of the Company, for the reporting period from January 1 through December 31, 2014. The preparation of the Consolidated Financial Statements and the Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Group Management Report based on our audit.

We have conducted our audit of the Consolidated Financial Statements in accordance with Section 317 HGB and generally accepted German standards for the audit of financial statements promulgated by the "Institut der Wirtschaftsprüfer" (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-

related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Group Management Report are examined primarily on a sample test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion and based on the findings of our audit, the consolidated financial statements comply with those IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the Consolidated Financial Statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, March 4, 2015.

Ernst & Young GmbH  
Wirtschaftsprüfungsgesellschaft

Keller  
Wirtschaftsprüfer  
(Public Auditor)

Berger  
Wirtschaftsprüfer  
(Public Auditor)

# Technical Glossary

<b>Compact equipment</b>	One of the Group's strategic business segments. 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, and mobile and compact excavators.
<b>Compaction</b>	One of the Group's business fields 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.
<b>Concrete technology</b>	One of the Group's business fields in the light equipment segment. The equipment is used to compact concrete when laying walls, ceilings and floors and includes internal and external vibrators as well as trowels for applying a smooth finish to concrete surfaces.
<b>dual power</b>	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.
<b>Dumpers</b>	Track- or wheel-based machines in the compact equipment segment primarily used for transporting backfill material.
<b>ECO</b>	Seal awarded by Wacker Neuson to products or solutions that are particularly environmentally friendly (ECOlogy) and cost efficient (ECONomy).
<b>Floor saws</b>	Hand-guided saws for cutting asphalt equipped with a diamond blade. Like cut-off saws, they are mainly used for demolition work.
<b>Heavy equipment</b>	Large construction machinery, which the Wacker Neuson Group defines as having a total weight of over 15 tons. Typically transported to construction sites for specific projects and operated by specially trained employees.
<b>Hoftrac®</b>	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.
<b>Hydronic heaters</b>	Mobile heating equipment to thaw frozen ground, heat buildings and cure concrete in sub-zero conditions, making construction work less dependent on weather conditions (especially in regions with long winters, such as Canada, Alaska, Russia and Scandinavia).

<b>Internal vibrators</b>	Used for concrete compaction, mainly on construction sites. These vibrators comprise eccentric weights driven by an electrical motor, which are encased in a watertight steel tube so that they can be submerged in fresh concrete.
<b>Light equipment</b>	One of the Group's strategic business segments. 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.
<b>Rammers</b>	First developed in the 1930s by Wacker Neuson, this pioneering product is used in soil and asphalt compaction, particularly in small spaces and narrow trenches.
<b>Rebar technology</b>	Part of the concrete technology business field. Rebar tiers are used to knot together the steel bars that reinforce concrete. These devices can tie up to 1,000 knots an hour.
<b>Skid steer loaders</b>	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.
<b>Telescopic handlers</b>	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.
<b>Trowels</b>	Trowels are used to smooth concrete surfaces, in particular freshly poured concrete, for example in industrial buildings.
<b>Vibratory plates</b>	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.
<b>Wheel loaders</b>	Articulated and all-wheel drive wheel loaders are extremely versatile machines. Thanks to a broad range of attachments and technologies, they are the perfect choice for a host of jobs, including transporting and stacking material. Telescopic wheel loaders feature a telescopic arm, which gives them a greater range and lifting height. Operators are seated in a central position with a clear view of their surroundings. The telescopic boom is positioned directly in front of the cabin.
<b>Worksite technology</b>	One of the Group's business fields in the light equipment segment. Products in this business field include generators and lighting equipment for construction site activities as well as equipment used to break or cut asphalt or concrete, such as cut-off saws, floor saws and breakers.
<b>Zero-tail excavators</b>	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

<b>Capital employed</b>	<p>Invested capital: Capital employed represents the interest-bearing capital tied up in and required by the Group to function. It is equal to the Group's operating assets less the amount of non-interest-bearing available capital.</p> <p><i>Capital employed = non-interest-bearing assets less non-interest-bearing liabilities, less goodwill and less brand value.</i></p>
<b>Cash flow</b>	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).
<b>Cash flow from financing activities</b>	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.
<b>Cash flow from investment activities</b>	Cash balance resulting from the acquisition of financial, tangible or intangible assets and the disposal of financial, tangible or intangible assets.
<b>Cash flow from operating activities</b>	Cash flow generated from operating activities.
<b>Corporate governance</b>	Sound and responsible management and control of a company with the aim of creating long-term value.
<b>CSR</b>	Corporate social responsibility (CSR) refers to a company's voluntary contribution to sustainable development above and beyond the minimum legal requirements (compliance). Acting as a good corporate citizen, the company explains how it is taking a responsible approach to business (markets), to the environment, to its employees and to communication with key stakeholders.
<b>Deferred taxes</b>	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.
<b>Derivatives</b>	Financial instruments, such as futures and options, that derive their value from the value of other financial instruments or an underlying asset.
<b>Discounted cash flow (DCF) method</b>	Valuation method used to estimate the market value by discounting a company's future cash flows to their present value.
<b>Earnings per share (EPS)</b>	EPS is defined as net Group profit for the year divided by the number of shares.
<b>EBIT (margin)</b>	The earnings before interest and taxes (EBIT) margin is the ratio of EBIT to revenue.
<b>EBITDA (margin)</b>	Earnings before interest, taxes, depreciation and amortization (EBITDA) indicate a company's operational profitability. The EBITDA margin is the ratio of EBITDA to revenue.



<b>EBT</b>	Earnings before taxes.
<b>Economic Value Added (EVA)</b>	Indicates whether company value has increased. <i>EVA = ROCE II less WACC, multiplied by average capital employed.</i> The company is producing value if ROCE II exceeds WACC.
<b>Equity ratio</b>	Ratio of equity before minority interests to total capital; indicates the financial stability of a company.
<b>Free cash flow</b>	Free cash flow refers to the amount of cash readily available to a company.
<b>Gearing</b>	Net financial debt as a percentage of equity before minority interests.
<b>Goodwill</b>	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.
<b>Gross profit margin</b>	A measure of operational efficiency, expressing the ratio of gross profit to sales revenue in profit or loss.
<b>Hedge</b>	Provides protection against risks arising from unfavorable exchange rate fluctuations and changes to raw materials and other prices.
<b>Impairment test</b>	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.
<b>IFRS</b>	International Financial Reporting Standards. Internationally recognized and applied accounting standards devised by the International Accounting Standards Board (IASB) in an effort to harmonize accounting standards and principles worldwide.
<b>Key performance indicators (KPI)</b>	KPIs are used to define company targets and measure the extent to which a company is achieving its goals.
<b>NOPLAT</b>	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. <i>NOPLAT = EBIT less (EBIT x Group tax ratio)</i>
<b>Peer group</b>	Companies active in the same or a similar branch or industry.
<b>Purchase price allocation (PPA)</b>	A process whereby the purchase price paid for a company is allocated to the assets, liabilities and contingent liabilities acquired, which are measured at fair value. The difference in value is disclosed as → goodwill.
<b>Return on assets after tax and before minority interests (ROA)</b>	The ratio between profit for the period before minority interests and the average balance sheet total.

<b>Return on equity (ROE)</b>	<p>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.</p> <p><i>ROE = profit for the period (after tax and after minority interests) in relation to average equity before minority interests as a %</i></p>
<b>Return on sales (ROS)</b>	<p>The ratio between profit for the period before minority interests and revenue.</p>
<b>ROCE I (return on capital employed)</b>	<p>ROCE I indicates the efficiency and profit generating ability of capital expenditure (before tax) within a company.</p> <p><i>ROCE I = EBIT in relation to average capital employed as a %</i></p>
<b>ROCE II (return on capital employed)</b>	<p>ROCE II shows how much return a company realizes on the capital it invests after tax.</p> <p><i>ROCE II = NOPLAT in relation to average capital employed as a %</i></p>
<b>Schuldschein loan agreements</b>	<p>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.</p>
<b>Swap</b>	<p>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.</p>
<b>Weighted average cost of capital (WACC)</b>	<p>Indicates the minimum return on capital employed. It is calculated as the weighted average cost of equity and debt, whereby tax benefits are deducted from the cost of debt. Here, equity is taken at market value at the closing date and not at the balance sheet value. The cost of equity is based on the risk-free return plus a company-specific market risk premium. This corresponds to the difference between the risk-free return and the overall market return depending on the leverage beta.</p> <p>The long-term conditions under which the Wacker Neuson Group can borrow funds are used to define debt costs. For shareholders and lenders, WACC indicates the return they might expect on the funds or capital they have provided. It also gives the company a good indication of the type of return it needs to generate on prospective investments. A company is producing value for its investors if return on capital employed (ROCE) exceeds WACC.</p> <p><i>WACC = (percentage of financing that is equity x cost of equity) + (percentage of financing on average that is debt x cost of debt) x (1 – tax rate).</i></p> <p><i>Equity costs = basic interest rate (risk-free return) + market risk premium x leverage <math>\beta</math></i></p>
<b>Working capital</b>	<p>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.</p> <p><i>Working capital = total inventory plus trade receivables minus trade payables.</i></p>
<b>Working capital to revenue</b>	<p>Return on capital employed to generate revenue.</p> <p><i>(Average) working capital to revenue = (average) working capital divided by revenue.</i></p> <p><i>The average is calculated by adding the opening and closing balances, and dividing this figure by two.</i></p>

**Write-down**

This involves making a scheduled or one-off downward adjustment indicating the impairment of an asset. The → impairment test in fiscal 2009 resulted in the write-down of goodwill attributable to the Neuson Kramer subgroup in the amount of EUR K 89,540 and a write-down in the amount of EUR K 10,798 attributable to the Neuson brand – a constituent part of the Wacker Neuson name (total impairment losses of EUR 100.3 million). This one-off, non-cash write-down was reflected in the income statement. The portion of the write-down attributable to brand impairment was reversed in fiscal 2011 (→ write-up).

**Write-up**

This involves making an upward adjustment to the carrying value of an asset. If the → impairment test reveals that the reasons for the → write-down of an asset in a previous accounting period no longer prevail, IAS 36 provides for the reversal of impairment up to the maximum amount of the historic cost under other intangible assets (brands, technologies, customer pool). This reversal is recognized in the income statement. IAS 36 specifically prohibits the reversal of impairment losses for → goodwill.

# 8-Year Comparison

in € million	2014	2013	2012	2011	2010
Revenue	1,284.3	1,159.5	1,091.7	991.6	757.9
Revenue Europe	921.7	826.2	776.4	723.9	558.6
Revenue Americas	323.7	297.2	276.2	231.0	168.1
Revenue Asia-Pacific	38.9	36.1	39.1	36.7	31.2
EBITDA	196.3	153.4	141.7	162.6	77.8
Depreciation and amortization	60.1	-58.6	-56.8	-38.8	-41.1
Of which one-off impairment write-ups/write-downs from impairment	-	-	-0.8	10.8	-
EBIT	136.2	94.7	84.9	123.8 (113.0) <sup>7</sup>	36.7
EBT	130.1	88.0	77.8	120.3 (109.5) <sup>7</sup>	32.7
Profit after minority interests	91.5	61.2	54.1	85.8 (77.7) <sup>7</sup>	23.9
Number of employees	4,372	4,157	4,096	3,514	3,142
R&D ratio (incl. capitalized expenses) as a %	3.2	3.1	3.1	3.1	3.3
<b>Share</b>					
Earnings per share in €	1.30	0.87	0.77	1.22	0.34
Dividend per share in €	0.50 <sup>5</sup>	0.40	0.30	0.50	0.17
Book value at Dec. 31 in €	14.5	13.4	13.1	12.9	11.9
Closing price at Dec. 31 in €	16.96	11.5	10.4	9.6	13.0
Market capitalization at Dec. 31	1,189.2	805.6	725.9	669.8	911.8
<b>Key profit figures</b>					
Gross profit margin as a % <sup>6</sup>	29.7	30.4	30.4	32.6	31.6
EBITDA margin as a %	15.3	13.2	13.0	16.4	10.3
EBIT margin as a %	10.6	8.2	7.8	12.5 (11.4) <sup>7</sup>	4.8
Net return on sales (ROS) as a %	7.1	5.3	5.0	8.7	3.2
<b>Key figures from the balance sheet</b>					
Balance sheet total	1,447.6	1,322.4	1,344.8	1,214.3	1,030.2
Return on assets (ROA) as a %	6.7	4.6	4.3	7.0	2.5
Equity before minority interests	1,011.7	935.5	914.7	901.1	830.6
Equity ratio before minority interests as a %	69.9	70.7	68.0	74.3	80.6
Return on equity (ROE) as a % <sup>7</sup>	9.4	6.6	6.1	9.0	3.0
Net financial debt	179.5	177.2	214.2	90.4	13.7
Net financial debt/EBITDA	0.9	1.2	1.5	0.6	0.2
Gearing as a %	17.7	18.9	23.4	10.0	1.7
Working capital	532.2	453.1	456.8	370.5	269.3
Average working capital as a % of revenue	38.4	39.2	37.9	32.2	32.1
Capital employed	941.5	852.7	866.2	721.1	572.8
ROCE I as a %	15.2	11.0	10.8	17.5 <sup>7</sup>	6.9
ROCE II as a %	10.8	7.7	7.6	12.5 <sup>7</sup>	5.2
Weighted average cost of capital (WACC)	7.1	7.1	7.5	7.5	7.9
Economic value added (EVA)	32.4	5.1	0.7	32.1	-14.1
<b>Cash flow</b>					
Cash flow from operating activities	106.8	131.1	13.6	43.6	44.9
Cash flow from investment activities	-85.3	-75.9	-99.9	-105.5	-85.2
Investments	90.3	86.8	104.0	114.0	85.0
Cash flow from financing activities	-23.0	-57.4	88.8	42.6	-10.3
Free cash flow	21.5	55.2	-86.3	-61.9	-38.8

<sup>1</sup> Pro-forma Group revenue amounted to EUR 979.5 million (Neuson Kramer Baumaschinen AG consolidated for the first time on October 1, 2007).

<sup>2</sup> Adjusted to reflect restructuring costs (EUR 9.6 million).

<sup>3</sup> Adjusted to reflect restructuring costs in the amount of EUR 9.6 million and write-downs on intangible assets in the amount of EUR 100.3 million.

<sup>4</sup> Including deferred taxes in the amount of EUR -2.7 million (in conjunction with write-downs on brand value – intangible assets).

<sup>5</sup> Dividend proposal for the AGM on May 27, 2015.

<sup>6</sup> Since 2010, expenses for service technicians are reported in the income statement under cost of sales (instead of sales and service expenses).

<sup>7</sup> Adjusted for impairment write-ups/write-downs from impairment.

<sup>8</sup> On a pro-forma basis 2007 (Revenues: EUR 979.5 million; profit (after minority interests): EUR 72.8 million; balance sheet date Dec. 31, 2007).

<sup>9</sup> The item "Interest received" has been transferred from cash flow from investment activities to cash flow from operating activities.

# Publishing Details/ Financial Calendar

2009	2008	2007
597.0	870.3	742.1 <sup>1</sup>
465.7	676.2	520.7
103.1	166.9	196.1
28.2	27.2	25.3
27.2(36.7) <sup>2</sup>	100.9	117.0
-140.3	-43.0	-38.1
-100.3	-	-
-113.1(-3.2) <sup>3</sup>	58.0	78.9
-115.5(-5.6) <sup>3</sup>	55.7	78.2
-110.1(-2.9) <sup>3,4</sup>	37.4	54.1
3,059	3,665	3,659
4.0	3.0	2.9
-1.57	0.53	1.1
0	0.19	0.50
11.3	13.0	13.0
8.2	6.2	14.6
575.1	434.2	1,025.4
30.8	33.7	38.1
4.6(6.2) <sup>2</sup>	11.6	15.8
-18.9(-0.5) <sup>3</sup>	6.7	10.6
-18.4(-2.1) <sup>4,7</sup>	4.4	7.3
971.7	1,178.6	1,214.5
-1.1 <sup>4,7</sup>	3.2	7.5
789.0	909.1	910.4
81.2	77.1	75.0
-1.5	4.2	8.2 <sup>8</sup>
-24.9	59.0	-43.1
-0.9	0.6	-0.4
-3.2	6.5	-4.7
217.9	303.9	271.5
43.7	33.1	29.0
489.8	588.1	486.7
-2.4 <sup>7</sup>	10.8	23.1 <sup>8</sup>
-1.9 <sup>7</sup>	7.4	15.8 <sup>8</sup>
8.1	7.6	-
-54.1	-1.3	24.3
138.3	38.1 <sup>9</sup>	55.0
-38.1	-16.4 <sup>9</sup>	-141.8
43.4	101.8	84.0
-53.0	-21.9	96.4
100.6	23.4	62.1

## Contact

### Wacker Neuson SE

Katrin Neuffer  
Investor Relations  
Preussenstrasse 41  
80809 Munich, Germany

Phone +49 - (0)89 - 354 02 - 173

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

ir@wackerneuson.com

www.corporate.wackerneuson.com

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## Financial Calendar 2015

<b>March 16, 2015</b>	Publication of 2014 financial results, press conference, Munich
<b>May 12, 2015</b>	Publication of first-quarter report 2015
<b>May 27, 2015</b>	AGM, Munich
<b>August 4, 2015</b>	Publication of half-year report 2015
<b>November 12, 2015</b>	Publication of nine-month report 2015

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**Wacker Neuson SE**  
Preussenstrasse 41, 80809 Munich, Germany  
Phone +49 - (0)89 - 354 02 - 0  
Fax +49 - (0)89 - 354 02 - 390  
[www.wackerneuson.com](http://www.wackerneuson.com)