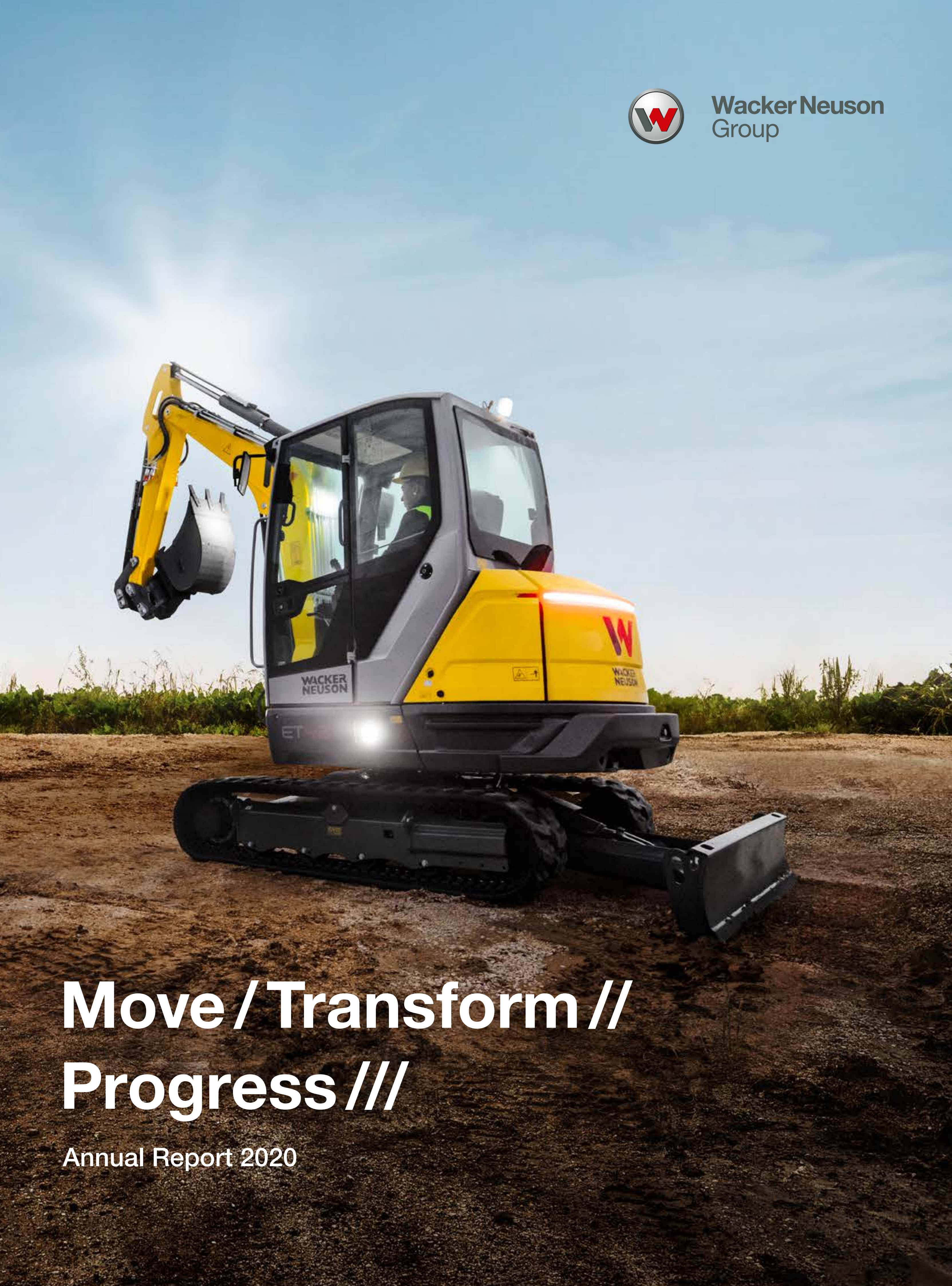
Wacker Neuson Group



Move / Transform // Progress ///

Annual Report 2020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FIGURES AT A GLANCE 2020

WACKER NEUSON GROUP AT DECEMBER 31

IN € MILLION

	2020	2019	Change
Key figures			
Revenue	1,615.5	1,901.1	-15%
by region			
Europe	1,289.7	1,379.0	-6%
Americas	270.4	459.5	-41%
Asia-Pacific	55.4	62.6	-12%
by business segment[1]			
Light equipment	351.8	485.3	-28%
Compact equipment	878.9	1,052.8	-17%
Services	399.0	382.5	4%
EBITDA	204.6	257.4	-21%
Depreciation and amortization	129.1	104.3	24%
EBIT	75.5	153.1	-51%
EBT	53.8	137.5	-61%
Profit for the period	14.1	88.5	-84%
R&D ratio (incl. capitalized expenses) as a %	4.0	3.3	0.7PP
Share			
Earnings per share in €	0.20	1.26	-84%
Dividends[2] per share in €	0.60	–	–
Key profit figures			
Gross profit margin as a %	24.8	25.0	-0.2PP
EBITDA margin as a %	12.7	13.5	-0.8PP
EBIT margin as a %	4.7	8.1	-3.4PP
EBT margin as a %	3.3	7.2	-3.9PP
Cash flow			
Cash flow from operating activities	405.0	-20.9	–
Cash flow from investment activities	-76.0	-94.8	-20%
Investments (property, plant and equipment, intangible assets)	-86.9	-89.2	-3%
Free cash flow	329.0	-115.7	–
Cash flow from financing activities	-91.6	117.9	–
	Dec. 31, 2020	**Dec. 31, 2019**	**Change**
Key figures from the balance sheet			
Equity	1,218.1	1,225.0	-1%
Equity ratio as a %	57.3	55.8	1.5PP
Net financial debt	137.9	439.0	-69%
Gearing as a %	11.3	35.8	-24.5PP
Net working capital	497.5	761.9	-35%
Net working capital as a % of revenue	30.8	40.1	-9.3PP
ROCE I as a %	5.4	9.0	-3.6PP
Number of employees[3]	5,554	6,056	-8%

[1] Consolidated revenue before cash discounts.

[2] At the AGM on May 26, 2021, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2020. In 2020, shareholders approved to suspend the dividend payout for fiscal 2019 due to the unpredictability of the COVID-19 pandemic ramifications.

[3] Including temporary workers.

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

Our Mission

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

CONTENT

To our Shareholders

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

2020 was an extraordinary and extremely challenging year for us all. While our revenue and earnings developed positively in January and February, the coronavirus pandemic had already spread across the globe by March – with far-reaching consequences for global supply chains, customer demand and, consequently, our Group.

During the first wave of the pandemic, the construction industry had to contend with disruptions to site activity, followed by a marked easing of the situation over the summer months, particularly in Europe. Nonetheless, high levels of uncertainty put the brakes on investments over the entire year among key accounts in particular. We noted this reluctance to invest particularly in markets characterized by rental chains such as North America, France and England. Thanks to our strong innovative drive, however, we were able to celebrate a number of successes despite the challenging circumstances. In England, we managed to buck the sharp downward trend in the overall market, increasing sales of our Dual View dumper and winning market shares.

Despite a further tightening of restrictions to combat rising coronavirus infection rates in the fall, the mood among our customers in the construction and agricultural sectors showed extremely postitive momentum towards the end of the year. However, the pandemic is not over yet. The situation with global supply chains in particular gives us cause for concern. On the one hand, restrictions such as border checks are constricting the flow of goods. On the other, there is the ongoing risk of personnel shortages both within our own organization and among our suppliers as a result of illness or the need to self-isolate. Furthermore, as demand in general starts to pick up, we are seeing sharp increases in prices for commodities – such as steel – vital to our operations.

In fiscal 2020, we were able to navigate the crisis comparatively well, thanks to our agility and a range of initiatives that enabled us to respond rapidly to changing circumstances. Revenue fell 15 percent to EUR 1,615.5 million. Our business with agricultural machines manufactured under the Weidemann and Kramer Group brands remained stable. In addition to this, we benefitted in particular from our dense network of direct sales channels in Germany, Austria and Switzerland, which enabled us to offer our customers flexible rental, sales and service solutions.

» Xto1 is our roadmap for turning 5,500 employees across the globe into a cohesive, strong unit. «

We continue to focus our attention in particular on improving profitability. Our Xto1 organizational project is an important pillar supporting our efforts here. The ability to embrace change is a key success factor for any business. The Wacker Neuson Group has expanded considerably in recent years. Our organization has grown with us during this time without undergoing any major structural changes. This has not always been ideal from an efficiency or profitability perspective. We need a transparent, agile, high-performance structure with clearly defined roles and responsibilities if we are to meet the goals we have set out in our Strategy 2022 initiative. Xto1 is our roadmap for turning 5,500 employees across the globe into a cohesive, strong unit.

» We continue to focus our attention in particular on improving profitability. «

In the middle of the year, the Annual General Meeting resolved to suspend the dividend payout in order to strengthen the financial backbone of the Wacker Neuson Group during the coronavirus pandemic. For the 2020 fiscal year, we would like to offer our shareholders an attractive dividend once again. Accordingly, in alignment with the Supervisory Board, we will jointly propose a dividend of EUR 0.60 per share at the AGM in May.

We achieved double-digit growth rates in fiscal 2017, 2018 and 2019. In 2020, however, this positive trajectory was disrupted by the coronavirus crisis. Nevertheless, the Strategy 2022 goals that we set out in 2018 remain our benchmark, even though we now expect to achieve these one to two years later than originally planned. After all, the long-term trend towards compact equipment in the construction and agricultural sectors remains unchanged and continues to offer major opportunities for our Group. At the same time, we aim to further expand our strong position in the light equipment market and, moving forward, continue to inspire our customers with innovative solutions.

We would like to warmly thank our employees for the flexibility, perserverence and creativity that they have shown in this challenging environment, ensuring continuity of service for our customers at all times. We also thank our shareholders and business partners for the trust they continue to show us and for their support in these difficult times.

The Executive Board team of Wacker Neuson SE

Kurt Helletzgruber
Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Alexander Greschner
Chief Sales Officer (CSO)

Our Share in 2020

2020 was a highly volatile trading year on the stock markets in Germany and internationally. Whereas stock markets around the world took a dive in the first quarter due to the global spread of the coronavirus, they quickly recovered to reach new international benchmark index highs as the year progressed. The Wacker Neuson share finished the year with a gain of around 3 percent.

Share and index information

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

Stock market trends in 2020

The global spread of the coronavirus, the introduction of extensive lockdowns and sharp downturns in company profits resulted in a global stock market crash in the first quarter of 2020. Both the DAX and the SDAX indexes fell from the highs recorded at the start of the year, with a maximum drop of 39 percent recorded. For the MSCI World Index, the maximum drop was 34 percent.

Two unscheduled rate cuts by the US Federal Reserve, the massive expansion of bond purchasing by the world's central banks and far-reaching government rescue packages ensured, however, that the stock markets were quickly able to recover their losses. The successful development of coronavirus vaccines, their approval for use, and the commencement of vaccination programs at the end of the year helped markets further rally. The DAX, SDAX and MSCI World indexes all reached new all-time highs.

The DAX finished the year with a gain of 4 percent, the SDAX rose by 18 percent and the MSCI World by 14 percent.

The Wacker Neuson share in 2020

Closing at EUR 17.05 at the end of 2019, the Wacker Neuson SE share recorded its low for the year of EUR 8.47 on March 12, 2020. The share's performance largely mirrored that of the Prime Industrials Performance Index on the German stock exchange. This was followed by a recovery period that continued into the fall. At EUR 18.37, the share reached its high for the year on October 12, plateauing in the fourth quarter just under the year's high and closing on the last day of 2020 trading at EUR 17.51. Over the year as a whole, the share made a gain of around 3 percent (all data on an end-of-day basis, Xetra trading platform).

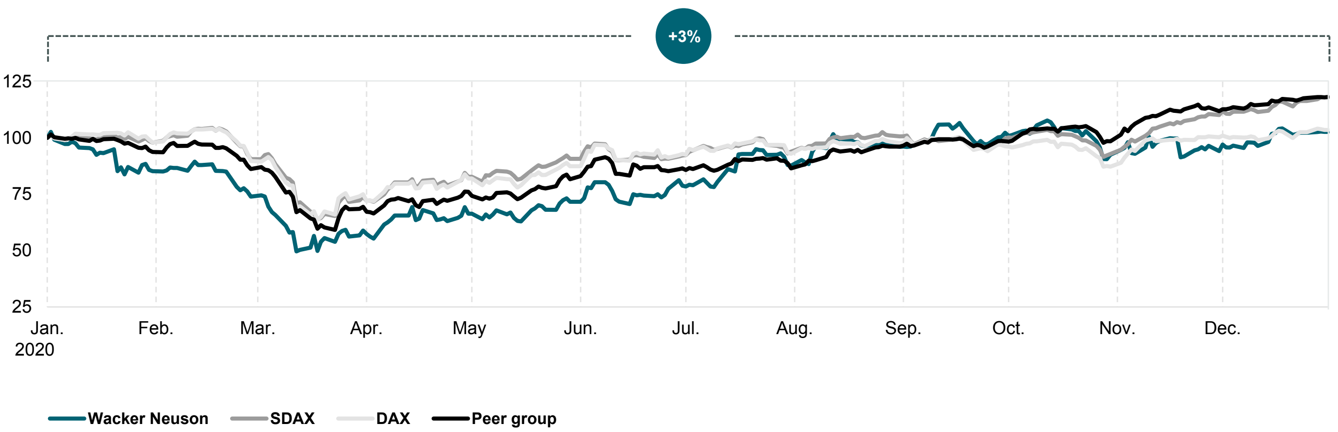
At the company's virtual AGM, shareholders approved the Executive Board and Supervisory Board's proposal to suspend the dividend payout for the 2019 fiscal year and to carry the net profit forward. Given the unpredictability surrounding the ramifications of the COVID-19 pandemic, this measure was designed to strengthen the financial position and resilience of the Group. In fiscal 2019, the shareholders had received a dividend of EUR 0.60 per share as well as a special dividend of EUR 0.50 per share to benefit from the one-off proceeds from the sale of a real-estate company held by the Group.

Performance of peer group

The chart below shows how the Wacker Neuson share performed in relation to its peer group. The peer index includes, with equal weighting, the French company Manitou, which manufactures construction and agricultural equipment; the American construction and agricultural equipment manufacturers Caterpillar, John Deere and Agco; the Swedish industrial companies Atlas Copco, Husqvarna and Volvo; the Korean construction equipment manufacturer DoosanBobcat; the Japanese construction equipment manufacturers Komatsu, Hitachi, Takeuchi and Kubota; industrial company CNH, headquartered in England; and German companies Bauer, specialist in underground construction, and Deutz for engines targeted at construction equipment and other industries. The American rental company United Rentals and the British rental company Ashtead are also included in the peer group. The peer group finished the year with a gain of around 18 percent.

SHARE PRICE TRENDS JAN. 1, 2020 – DEC. 31, 2020

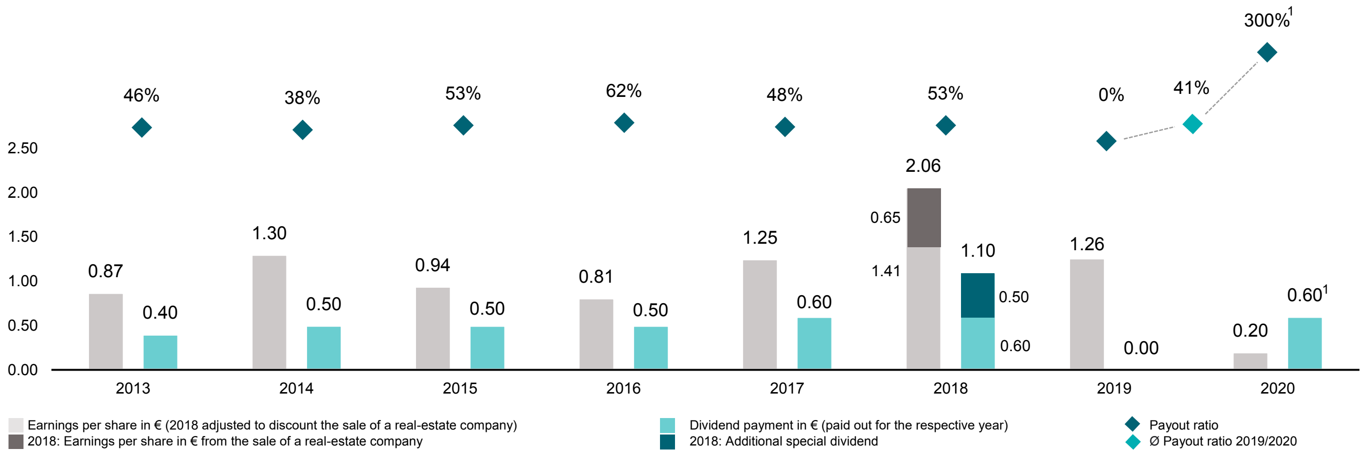
AS A %



Peer group: Agco, Ashtead, Atlas Copco, Bauer, Caterpillar, CNH Industrial, Deutz, DoosanBobcat, Hitachi, Husqvarna, John Deere, Komatsu, Kubota, Manitou, Takeuchi, United Rentals, Volvo.

EARNINGS PER SHARE, DIVIDEND AND PAYOUT RATIO 2013 – 2020

IN €



[1] At the AGM on May 26, 2021, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2020.

KEY INDICATORS FOR THE WACKER NEUSON SHARE

IN €

	2020	2019
High	18.37	25.18
Low	8.47	14.32
Average	14.57	19.12
Year-end	17.51	17.05
Average daily trading volume in shares[1]	153,759	146,030
Earnings per share[2]	0.20	1.26
Book value per share[2]	17.37	17.47
Dividend payment[2,3]	0.60	–
Payout ratio as a %	300.0	–
Market capitalization at year-end in € million	1,228.2	1,195.9

[1] Day trading: on XETRA.
[2] 70,140,000 shares.
[3] At the AGM on May 26, 2021, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2020. In 2020, shareholders approved to suspend the dividend payout for fiscal 2019 due to the unpredictability of the COVID-19 pandemic ramifications.

SHARE FACTS AT A GLANCE

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

General meeting and dividends

The Annual General Meeting of Wacker Neuson SE took place virtually on June 30, 2020 due to the COVID-19 pandemic and resulting circumstances. All of the agenda items put forward for resolution were approved. Votes were cast for approximately 73 percent of the share capital.

Shareholders approved the Executive Board and Supervisory Board's proposal to suspend the dividend payout for fiscal 2019 and to carry the net profit forward. Given the unpredictability surrounding the ramifications of the COVID-19 pandemic, this measure was designed to strengthen the financial position and resilience of the Group.

The AGM re-elected all the members of the Supervisory Board who were re-nominated for a further term – Mag. Kurt Helletzgruber, Hans Neunteufel, Prof. Dr. Matthias Schüppen and Ralph Wacker. The two incumbent employee representatives, Mr. Elvis Schwarzmair and Mr. Christian Kekelj, had already been appointed for a further term on the Supervisory Board prior to the meeting by resolution of the SE Works Council. Mr. Neunteufel retains his position as chairman of the Supervisory Board and Mr. Wacker has again been appointed deputy chairman.

Following the departure of Martin Lehner (CEO, CTO) and Wilfried Trepels (CFO) in November and December 2020 respectively, Mr. Helletzgruber was appointed to the Executive Board by the Supervisory Board in accordance with Section 105 (2) of the German Stock Corporation Act (AktG). He assumed the role of CFO on December 1, 2020 on an interim basis and became interim CEO on January 1, 2021. Prof. Dr. Matthias Schüppen was appointed Chairman of the Audit Committee. → Changes in the composition of executive bodies, page 30

In the other resolutions passed at the AGM, the actions of the Executive Board and the Supervisory Board were formally approved for fiscal 2019. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was again appointed as the official auditor. The shareholders also approved a profit transfer agreement concluded between Wacker Neuson SE and Group company Kramer-Werke GmbH.

Dividend proposal for the 2021 AGM

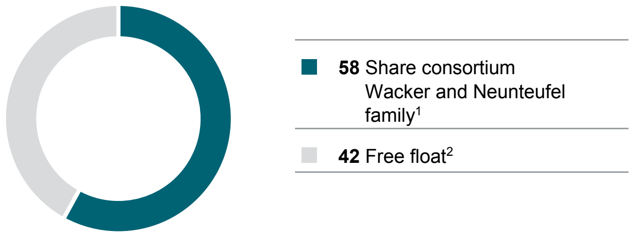
At the upcoming AGM on May 26, 2021, the Executive Board and the Supervisory Board will propose a dividend payout of EUR 0.60 per share for fiscal 2020, which aligns with the payout originally planned in the prior year. In the previous year, the dividend payout for fiscal 2019 was suspended due to the unpredictability surrounding the ramifications of the COVID-19 pandemic. This measure was designed to strengthen the financial position and resilience of the Group.

Ownership structure

As of the closing date, December 31, 2020, 58 percent of the share capital was held by a consortium made up of the Wacker and Neunteufel families. → Information regarding the consortium and pool agreement, page 65 onwards

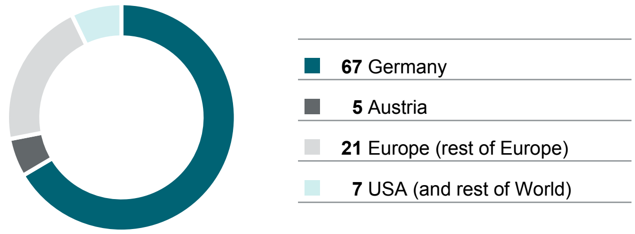
The free-float shares are held by institutional and private investors. To the best of the Group's knowledge, the majority of its free float (approximately 67 percent) is held by German investors. Another 26 percent is owned by investors from other European countries.

SHAREHOLDER STRUCTURE
AS A %



As of December 31, 2020.
Differences attributable to rounding. Number of shares: 70.14 million
[1] See → Information on consortium and pool agreement, page 65 onwards
[2] Including shares held by the Wacker and Neunteufel families independently of the consortium.

REGIONAL DISTRIBUTION OF FREE FLOAT
AS A %



As of December 31, 2020.
Differences attributable to rounding. Share capital/number of shares: 70.14 million

ANALYST RECOMMENDATIONS

NAME OF BANK	Target price	Buy	Hold	Sell	Date
Hauck & Aufhäuser	€23.50	■			Nov. 20, 2020
Metzler	€22.50	■			Oct. 14, 2020
Warburg	€21.00	■			Jan. 21, 2021
Jefferies	€19.50	■			Nov. 18, 2020
Berenberg	€19.00	■			Nov. 19, 2020
Montega	€18.50		■		Feb. 4, 2021
Bankhaus Lampe	€18.00	■			Nov. 19, 2020
Commerzbank	€15.00		■		Nov. 5, 2020
Kepler Cheuvreux	€14.00			■	Feb. 23, 2021

As of March 10, 2021

Strong relationships – proactive communication

Maintaining good relationships and regular contact with private shareholders, institutional investors, analysts and other stakeholders is essential to give market players the information they need to realistically assess and evaluate the Wacker Neuson share and its development. To ensure this, the Executive Board and the Investor Relations team again actively briefed capital market players in 2020 – above all at various investor conferences and roadshows, which from March on were held exclusively as digital events, as well as at the virtual AGM. Communications focused on giving analysts and investors detailed insights into the Wacker Neuson Group's markets, business, strategic aims and developments in these areas.

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

For fiscal 2020, the Wacker Neuson Group issued a non-financial Group report in line with Section 315b of the German Commercial Code (HGB). This was published at the same time as the Annual Report. As a separate non-financial Group report, it covers topics such as environmental, social and employee matters, human rights, anti-corruption and bribery. The report is available on the Group website. → www.wackerneusongroup.com/investor-relations

Analyst coverage

In 2020, nine analysts evaluated the Wacker Neuson share. As of 2021, also Montega AG's target price can be accessed on the Wacker Neuson Group website under Investor Relations. At the end of 2020, Bankhaus Lampe withdrew from research by giving up its equities business.

As of March 10, 2021, five analysts were recommending to "buy" the Wacker Neuson share, two analysts were recommending "hold", and one analyst was recommending "sell". The mean target price was EUR 19.13.

Report by the Supervisory Board

Dear Shareholders,

2020 was an extraordinary year for everyone, including the Wacker Neuson Group. After reporting double-digit growth rates in fiscal 2017, 2018 and 2019, the Group suffered a sharp dip in 2020 due to the global effects of the COVID-19 pandemic. Revenue was down 15 percent compared with the previous year and this trend was even more pronounced on the earnings side. Nevertheless, we still achieved a lot in 2020. We made rapid progress on the Executive Board's program to reduce costs and increase efficiency and this will have a long-term impact on the profitability of our Group moving forward. The Group has also significantly reduced net working capital, which has reduced capital lockup and tangibly improved the liquidity situation.

The management and all employees of the Wacker Neuson Group showed great personal engagement, dedication and passion in 2020, making a valuable contribution to the company's continued development, despite the exceptionally challenging circumstances. New working arrangements to accommodate wide-ranging protection and hygiene measures, short-term work models and the shift to home offices placed an additional strain on everyone. On behalf of the Supervisory Board, I would like to sincerely thank all employees for their efforts here.

Hans Neunteufel
Chairman of the Supervisory Board

Cooperation between the Supervisory Board and Executive Board

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

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

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

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

In addition, the Executive Board presented the Supervisory Board with monthly reports on key financial indicators. Furthermore, the Chairman of the Supervisory Board maintained regular contact with the Executive Board, ensuring a continuous flow of information on the current business and financial situation of the Group and its affiliates 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 2020

Eleven plenary meetings of the Supervisory Board were held in fiscal 2020. Three of these sessions were conducted by telephone. The Presiding Committee met seven times and the Audit Committee met on four occasions. In five cases, the Supervisory Board adopted resolutions outside of meetings, for example by means of circular resolution or by telephone. All members took part in all eleven meetings held by the Supervisory Board. Furthermore, all members of the Audit Committee attended all of its four meetings and all members of the Presiding Committee attended its seven meetings. All members of the Supervisory Board also participated in the five resolutions passed outside of meetings.

The Supervisory Board engaged regularly with the day-to-day business of the Wacker Neuson Group and with planning activities at executive level, with attention focusing also in particular on global economic developments, especially in light of the COVID-19 pandemic and its impact on the business performance and organizational structures of the company and of the Group. Particular emphasis was placed on the analysis and discussion of Wacker Neuson's financial situation as well as the development of revenue, costs and earnings. 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 during the relevant meetings. Executive Board matters were also on the agenda on a regular basis.

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

In an extraordinary meeting on February 15, 2020, the Supervisory Board was informed of the preliminary results for 2019 and the planned program to reduce costs and improve efficiency.

At the Supervisory Board meeting to approve the financial statements on March 10, 2020, following appropriate preparations by the Audit Committee, the Supervisory Board focused on examining the Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report of Wacker Neuson SE and of the Wacker Neuson Group, the non-financial Group report, as well as related party disclosures for fiscal 2019. By way of preparation, the Audit Committee had discussed these documents in detail with the Executive Board during its session immediately before the Supervisory Board meeting, raising questions with the auditing company representative present at the meeting, and discussing these issues at length. This took place in addition to the Supervisory Board's regular examinations as part of its own preparation for the meeting to approve the financial statements. On the basis of this, the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report were approved. The appropriation of net profit suggested by the Executive Board was also approved in this meeting together with the AGM agenda, proposals regarding the election of the four shareholder representatives to the Supervisory Board, the Supervisory Board report and the non-financial Group report. The Supervisory Board also approved the Group-internal profit transfer agreement with Kramer-Werke GmbH. Further areas of focus in this meeting included the structure of ABS financing for the Group's business in North America, the planned relocation of the logistics organization for new equipment from the Karlsfeld site to Reichertshofen, and evaluation of the results of the Supervisory Board efficiency audit.

In an extraordinary (telephone) meeting on April 2, 2020, the Supervisory Board was informed of the current business situation.

In a telephone conference with the Executive Board on April 23, 2020, the proposal for the appropriation of net profit made on March 10 was discussed. In light of the worrying development of the COVID-19 pandemic, the Supervisory Board and the Executive Board resolved to amend existing resolutions and suspend the dividend for the upcoming AGM.

On May 4 and 5, 2020, the Supervisory Board discussed the forthcoming quarterly report at length. The realignment of business activities in North and South America and the ABS financing measure for North America were also discussed. Furthermore, resolutions were passed to approve measures to secure liquidity and to also approve holding the AGM as an all-virtual event. Further items on the agenda included the Group's internal "Xto1" organizational project, the program to reduce costs and improve efficiency, as well as real-estate matters.

During a telephone conference with the Executive Board on May 18, 2020, the Supervisory Board approved various sales financing measures for North America.

In the constituent meeting on June 30, 2020 following the AGM, the Supervisory Board and its committees were re-elected. Topics such as current business trends, changes to sales structures in Northern and Southern Europe and various financing measures were then discussed.

The meeting held on July 30, 2020 focused on the forthcoming publication of the half-year report for 2020 as well as the resolutions for implementing ABS financing for North America, the relocation of the logistics organization for new equipment and the closure and liquidation of various companies abroad. The Supervisory Board was also informed of the status of reorganization measures in North America, potential savings for the holding organization and the "Xto1" organizational project.

HR issues were discussed in an extraordinary (telephone) meeting on September 21, 2020, in which only members of the Supervisory Body participated. Mr. Felix Bietenbeck was subsequently appointed as an additional member to the Executive Board and the allocation of roles and responsibilities among Executive Board members was updated accordingly.

The expansion of sales financing measures in North America was approved by the Supervisory Board by means of a written circular resolution on September 30, 2020.

On October 13 and 14, 2020, the Supervisory Board met for its annual strategy meeting, where it discussed company strategy with the Executive Board. Further items on the agenda included HR issues, a resolution regarding the sales structure in Southern Europe and the implementation of the "Xto1" organizational project. The Supervisory Board also focused on developing a new remuneration system for the Executive Board to be presented to the 2021 AGM in line with the law governing implementation of the second shareholders' rights directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II).

The meeting held on November 3, 2020 focused on the overall business situation and, in particular, the forthcoming publication of the quarterly report. The agenda included a resolution regarding implementation of the "Xto1" organizational project and Executive Board matters.

In an extraordinary meeting on November 18, 2020, the progress achieved thus far in restructuring the Group's North American activities was discussed. In addition to this, resolutions were passed regarding Mr. Lehner and Mr. Trepel's departure from the Executive Board, the temporary appointment of the Chair of the Audit Committee, Mr. Kurt Helletzgruber, to the Executive Board and the corresponding changes to the allocation of roles and responsibilities among members of the Executive Board.

During its meeting on December 15, 2020, the Supervisory Board focused on examining the Executive Board's business plan proposed for fiscal 2021, as well as on medium-term and financial planning. Supervisory Board members not only assessed the plans, but also discussed the associated opportunities and risks in detail with the Executive Board, particularly against the backdrop of the unpredictable global economic climate. Discussion of the updated declaration of compliance with the German Corporate Governance Code was also on the agenda. In addition to this, the Supervisory Board informed itself about the business situation and the progress of restructuring measures in North America. The approval of a construction plan for a new production building in Serbia and further Executive Board matters were also on the agenda.

By means of circular resolutions on December 22 and 23, 2020, the updated declaration of compliance from the previous meeting was approved and a resolution was passed regarding remuneration matters related to the Executive Board.

In addition to this, the Supervisory Board examined each of the Executive Board's monthly reports on an ongoing basis.

Work performed by the Supervisory Board committees in fiscal 2020

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

At a meeting on March 9, 2020, 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, 2019. The committee also discussed the appropriation of net profit suggested by the Executive Board, related party disclosures and the non-financial Group report. In addition, the committee discussed the matter of auditor independence and the engagement of an auditor, and submitted a recommendation in that regard to the Supervisory Board during its plenary meeting. The Supervisory Board, in turn, followed this recommendation and proposed the same auditor at the AGM. The provision of certain non-audit services by the auditor was also discussed. The internal audit reports and the risk report were also on the agenda, as well as a discussion of the planned ABS transaction for North America.

At its meeting held on May 5, 2020, the Audit Committee primarily dealt with the publication of the pending quarterly report. It additionally focused on the work performed by the internal audit function. Furthermore, the committee looked at the subject of securing liquidity.

In its meeting on July 30, 2020, the committee dealt with the half-year report and an engagement to check the 2020 non-financial Group report. The current risk report was also discussed.

The meeting on November 3, 2020 covered the quarterly report, the current business situation in North America, questions related to different aspects of the ABS transaction, and the mandatory EMIR audit in line with Section 32 of the German Securities Trading Act (WpHG).

In seven meetings held on February 12, May 26, July 21, August 28, October 6, November 13 and December 2, 2020, the Presiding Committee focused on various Executive Board matters and prepared corresponding resolutions for the Supervisory Board. One of the key areas of focus here was the preparation of a new remuneration system for the Executive Board in line with ARUG II. The Presiding Committee drew on support here from external consultants in several of its meetings.

Changes in the composition of executive bodies

Mr. Martin Lehner, formerly Chairman of the Executive Board as well as CEO and CTO of Wacker Neuson SE, is not available to serve a further term due to personal reasons. By mutual, amicable agreement, he therefore stepped down from the Executive Board on December 31, 2020. The Supervisory Board is sad to see Mr. Lehner go and thanks him for his outstanding personal commitment and his many years of exceptionally successful service on the Executive Board.

Furthermore, the Supervisory Board of Wacker Neuson SE and Mr. Wilfried Trepels (CFO) have reached a mutual agreement for the earlier departure of Mr. Trepels from the company. Mr. Trepels stepped down from his position on the Executive Board on November 30, 2020.

On December 1, 2020, the chair of the Presiding Committee, Mag. Kurt Helletzgruber, was temporarily appointed CFO of the Executive Board. Mr. Helletzgruber was appointed to the Executive Board by the Supervisory Board until June 30, 2021, in line with Section 105 (2) of the German Stock Corporation Act (AktG). Prof. Dr. Matthias Schüppen has taken on the role of Chair of the Presiding Committee. On January 1, 2021, Mr. Helletzgruber also temporarily took on the position of CEO, assuming responsibility for the areas of strategy, investor relations, corporate communication, HR, real estate, controlling and risk management, finance, Group auditing, IT & organization, legal matters, compliance and sustainability.

Mr. Felix Bietenbeck took on the position of Chief Operations Officer (COO) on October 1, 2020 and also assumed the role of CTO on January 1, 2021. He is now responsible for production, procurement, quality, research & development, supply chain management and business process consulting.

Risk assessment and compliance

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

Corporate governance

Both the Supervisory Board and the Executive Board are aware that sound corporate governance is essential to protect shareholder interests and secure the company's long-term success. The Supervisory Board continuously monitored the further development of the German Corporate Governance Code and kept up to date with the capital market and corporate legislative framework. The Executive Board and the Supervisory Board issued an updated declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG on December 22, 2020 for the period under review. The entire declaration is always available on the company's website and is also included in the declaration on corporate governance pursuant to Section 289 f of the German Commercial Code (HGB) in combination with Section 315 d HGB, which can be found online and in the Annual Report.

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

Annual and Consolidated Financial Statements for 2020

At the AGM on June 30, 2020, the company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("Ernst & Young"), Stuttgart, Germany, was appointed official auditor for the company and Group for fiscal 2020. Before the Supervisory Board made its proposal to the AGM, based in turn on the recommendation by the Audit Committee, the auditing company submitted written confirmation to the Chairman of the Audit Committee that there are no circumstances that could compromise its independence as an auditor or give rise to doubts about its independence. Ernst & Young also specified the scope of services other than the audit of annual financial statements performed on behalf of the company over the previous fiscal year. The Chairman of the Audit Committee engaged the auditing company in writing with the task of auditing the financial accounting procedures.

The Annual Financial Statements for the company for the year ending December 31, 2020 prepared by the Executive Board in accordance with HGB, and the Consolidated Financial Statements for the company for the year ending December 31, 2020 prepared by the Executive Board in line with the International Financial Reporting Standards (IFRS) as adopted by the EU, and in supplementary compliance with the disclosures required under Section 315e HGB, were audited by Ernst & Young along with the books. The audit did not give rise to any reservations, so an unqualified audit opinion was issued for both the Annual Financial Statements and the Consolidated Financial Statements.

Each member of the Supervisory Board received the audit documents for appraisal in good time. Together with the Audit Committee, the entire Supervisory Board undertook a thorough examination of the Annual Financial Statements as well as the Consolidated Financial Statements, the Combined Management Report for the company and the Group and the related party disclosures in conjunction with the audit reports. The documents were discussed in detail at the Audit Committee meeting on March 17, 2021 and at the Supervisory Board plenary meeting on March 18, 2021 respectively, with the Executive Board and with the auditor. The auditor attended the Audit Committee consultations, reported on the main findings of their audit and answered questions from Supervisory Board members. After its own close examination of the documents, the Supervisory Board raised no objections and endorses the results of the audit report. The Supervisory Board also approves the Consolidated (Group) Management Report and, in particular, the forecast regarding the company's further development.

The final examination by the Supervisory Board did not lead to any reservations. On March 18, 2021, the Supervisory Board therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the company and the Group as prepared by the Executive Board for the year ending December 31, 2020. The 2020 Annual Financial Statements have thus been duly approved. The Supervisory Board further examined the Executive Board's suggested appropriation of profit for fiscal 2020, in particular with regard to the dividend payment policy, impact on Group liquidity and shareholder interests and did not raise any objections. In line with the Audit Committee's recommendation, it gives its unqualified consent to the proposal.

The Supervisory Board also examined the non-financial Group report for 2020 in line with Section 315 b HGB. Ernst & Young had been previously tasked with auditing the non-financial Group report to obtain limited assurance in line with the International Standard on Assurance Engagements (ISAE) 3000, and correspondingly prepared and submitted its report to the Supervisory Board. The Supervisory Board received the result of the limited assurance engagement undertaken by Ernst & Young and, following its own in-depth examination, concluded that the Group's non-financial report fulfills the appropriate requirements and there are no grounds for objection.

Examination of the Executive Board report on related party disclosures

The Executive Board prepared a report on related party disclosures for fiscal 2020. The Executive Board states in particular that – to the best of its knowledge and based on the information known to it at the time the transactions were entered into – appropriate compensation was received by Wacker Neuson SE in respect of all transactions outlined in the related party disclosures report. As the official auditor, Ernst & Young examined the related party disclosures report and issued the following auditor's opinion:

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

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

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

The Audit Committee and the entire Supervisory Board received the Executive Board's report on related party disclosures in a timely manner. The contents of the report and the assessment thereof by the auditor were read and understood by these bodies, and both documents and their results were examined and discussed with the Executive Board and the auditor. The Supervisory Board endorses the auditor's assessment of the related party disclosures report. Based on the final results of the discussions and its own examination of the related party disclosures report, the Supervisory Board regards the Executive

Board’s conclusions to be true and accurate and has no objection to the closing statement by the Executive Board.

The management and all employees of the Wacker Neuson Group showed great personal dedication in 2020 and made a valuable contribution to the Group’s positive development. The Supervisory Board would like to thank all employees and members of the Executive Board for their commitment and performance in these challenging times.

Munich, March 18, 2021

On behalf of the Supervisory Board

Hans Neunteufel
Chairman of the Supervisory Board

Declaration on corporate governance

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

Declaration on corporate governance

In the following statement, the Executive Board – also on behalf of the Supervisory Board – reports on the company's and the Group's corporate governance policies and practices in accordance with Sections 289f and 315d of the German Commercial Code (HGB) and Section 3.10 of the German Corporate Governance Code (DCGK) as amended on February 7, 2017, as well as Standard 22 DCGK as amended on December 16, 2019.

1. Declaration of compliance pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of Wacker Neuson SE consider the German Corporate Governance Code as an important body of regulations. Both executive bodies feel compelled to comply with its principles of responsible, professional and transparent corporate governance. They have therefore thoroughly examined the recommendations of the German Corporate Governance Code and issued the following declaration of compliance as most recently amended on December 22, 2020.

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

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

In accordance with Section 161 AktG, the Executive Board and the Supervisory Board of Wacker Neuson SE hereby declare that:

1. Since the submission of the most recent declaration of compliance dated December 12, 2019, the company has complied with the recommendations issued by the German Corporate Governance Code Commission published by the German Federal Ministry of Justice (BMJ) in the official section of the Federal Gazette as amended on February 7, 2017 ("DCGK 2017") with the exceptions listed below:

   Section 3.8 (3) DCGK 2017: The company's 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 bodies. Hence the company refrained from applying a deductible to Supervisory Board members.

   Section 4.2.2 (2) DCGK 2017: According to Section 4.2.2 (2) sent. 3 DCGK 2017, the Supervisory Board, when setting the overall remuneration payable to individual members of the Executive Board, shall also define Executive Board remuneration in relation to that of senior executives and general staff, also over time, whereby the Supervisory Board defines, for the purposes of comparison, how senior executives and general staff are to be delineated. The Supervisory Board has thus far not followed this recommendation.

   Section 4.2.3 (2) sent. 3 DCGK 2017: Remuneration components spanning in some cases several years which are not tied to future performance have been and are agreed upon. The Supervisory Board was of the opinion that it was not necessary to tie all variable remuneration components to future performance to narrow down an appropriate framework for Executive Board remuneration.

   Section 4.2.3 (6) DCGK 2017: The AGM was 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.

   Sections 4.2.4, 4.2.5, 5.4.6 (3) and 7.1.3 DCGK 2017: 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 declaration on corporate governance do not include an individualized report on Executive Board remuneration. Nor do they contain specific information about share-based incentive systems for the Executive Board (which the company does not apply anyway). For this reason, this information is not presented in the model tables recommended in Section 4.2.5 (3) DCGK 2017.

Similarly, the remuneration of individual Supervisory Board members was 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.

Section 5.3.3 DCGK 2017: 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.

Section 5.4.1 (1) to (4) sent. 1-3 DCGK 2017: When submitting its election proposals to the Annual General Meeting regarding the election of the shareholder representatives, the Supervisory Board took into account the statutory requirements and recommendations of the German Corporate Governance Code in relation to the suitability requirements to be met by Supervisory Board members.

Here the focus was placed – irrespective of nationality and gender – on the specialist and personal skills of potential candidates in relation in particular to the company's specific situation, and not on rounding out a given competency profile or pursuing a diversity concept. Within the scope of evaluating competence, the Supervisory Board also placed appropriate emphasis on the company's international engagement, potential conflicts of interest, the number of independent members of the Supervisory Board, the age limit stipulated for members of the Supervisory Board and the principle of diversity and, for elected employee representatives, the special regulations set down in Germany's co-determination acts (Mitbestimmungsgesetze). The Supervisory Board declined to set a limit on the term of office as it is of the view, given the business context of a family-run enterprise, that continuity is the main priority. Besides, provisions in place stipulating the maximum age effectively limit the term of office assuming members join the Board at the usual age.

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

Section 5.4.1 (5) sent. 2 DCGK 2017: The Supervisory Board is of the view that the information made available to the Annual General Meeting and published on the company's website as standard practice to date is sufficient – even if it does not comply with the recommendation under the Code, and thus continues to refrain from complying with the Code's recommendation to draft, publish and update detailed resumes for proposed and current members of the Supervisory Board.

Sections 5.4.2, 5.4.1 (4) sent. 3 and 5.3.2 DCGK 2017: The following situation is noted, which is also described in the Group Management Report: A pool agreement is in place between some of the shareholders of the Wacker and Neunteufel families. The parties to this pool agreement collectively hold about 58 percent of the shares of Wacker Neuson SE and can thus jointly (but not individually, i.e., individual members of the pool agreement acting in isolation) control the company. In accordance with the provisions of the pool agreement, each party to the pool agreement must exercise its right to vote and submit proposals at the Annual General Meeting such that two Supervisory Board members nominated as shareholder representatives by the Wacker family and two by the Neunteufel family are always elected. The shareholder representatives 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 shareholder representatives always enjoy the special trust of the parties to the pool agreement appointing them, they are not, in the Supervisory Board's view, in any personal or business relationship with a controlling shareholder, which could lead to a fundamental conflict of interest. In the view of the Supervisory Board, the shareholder representatives in the Supervisory Board, including the Chairman of the Audit Committee, are therefore to be considered independent. It is therefore the Supervisory Board's view that the Supervisory Board is composed of a sufficient number of independent members, in particular with regard to the ownership structure. Given the ongoing legal uncertainty surrounding interpretation of the term "independence", the company nonetheless declares non-conformance as a precautionary measure.

Given the independence of all shareholder representatives on the Supervisory Board and the detailed disclosures relating to their appointment made herein, the Supervisory Board refrains from providing explicit information about what it considers to be an appropriate number of members and their names again in the declaration on corporate governance.

Section 5.4.3 (3) DCGK 2017: So that the Supervisory Board can vote impartially for its chairperson, the proposed candidates are not announced.

Section 5.4.6 (2) sent. 2 DCGK 2017: 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 appropriate and reflects the Supervisory Board's tasks and functions.

2. On December 16, 2019, the Government Commission on the German Corporate Governance Code issued a new version of the German Corporate Governance Code, which came into force upon its publication in the Federal Gazette on March 20, 2020 ("DCGK 2020"). Wacker Neuson SE complies with recommendations of DCGK 2020 as applicable to it and shall continue to comply with these in future with the exceptions listed below:

Recommendation C.1 DCGK 2020: 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 suitability requirements to be met by Supervisory Board members.

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

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

Given the disclosures relating to the independence of Supervisory Board members made in this declaration of compliance, the Supervisory Board refrains from providing explicit information about what it considers to be an appropriate number of members and their names again in the declaration on corporate governance (which itself contains the text of this declaration of compliance).

Recommendation C.14 DCGK 2020: The Supervisory Board is of the view that the information made available to the Annual General Meeting and published on the company's website as standard practice to date is sufficient and thus continues to refrain from drafting, publishing and updating more detailed resumes for proposed and current members of the Supervisory Board.

Recommendation D.1 DCGK 2020: To date, the Supervisory Board refrained from publishing its rules of procedure on the Internet as this was not previously recommended under DCGK 2017. The rules of procedure are currently being revised. Once they have been approved, the Supervisory Board intends to publish the updated version of its rules of procedure on the company's corporate website.

Recommendation D.5 DCGK 2020: The Supervisory Board has not formed a nomination committee. The size of the Supervisory Board (four shareholder representatives) does not warrant a dedicated committee for proposing the shareholders' Supervisory Board candidates.

Section G.I. DCGK 2020: Section G.I. of DCGK 2020 contains new and partially revised recommendations regarding remuneration for the Executive Board. The remuneration system used by the company for members of the Executive Board to date has not complied or not fully complied with the following of these recommendations: G.1 (determining the remuneration system), G.2 (determining the specific total remuneration), G.3 (vertical comparison), G.4 (horizontal comparison), G.6 (preponderance of long-term remuneration components), G.7 (determining variable remuneration components), G.10 (share-based remuneration), G.11 sent. 2 (retention option and recall of variable remuneration components). At the time of issuing this declaration of compliance, the Supervisory Board had not yet approved a new remuneration system for members of the Executive Board that complies with the regulations set out in the law governing implementation of the second shareholders' rights directive (Gesetz zur Umsetzung der zweiten Aktionärsrechterichtlinie, ARUG II).

However, the Supervisory Board will approve a remuneration system for the Executive Board in good time and submit this to the AGM in the first half of 2021. The new system will comply with legal requirements as well as all recommendations in Section G.I. DCGK 2020.

As of October 2020, all new Executive Board contracts or contracts that are due for renewal will reflect the standards set out in this new remuneration system and – by extension – the recommendations of Section G.I. DCGK 2020 unless otherwise stated in the following.

Recommendations G.6, G.7 and G.10 DCGK 2020: The Supervisory Board has appointed Mr. Kurt Helletzgruber to the Executive Board effective December 1, 2020 for a period of seven months. As such, the Supervisory Board has opted for a different remuneration structure that reflects this special situation.

Recommendation G.18 DCGK 2020: The previous remuneration system for the Supervisory Board contains a short-term remuneration component based on the company's success. This model shall be retained as it is not intended to be a management incentive or bonus for the Supervisory Board linked to the company's long-term development but rather as a mechanism that relieves remunerative pressure in less successful years.

Munich, December 22, 2020

Wacker Neuson SE

Executive Board and Supervisory Board

Martin Lehner	Hans Neunteufel
CEO	Chairman of the Supervisory Board

The above declaration has been made permanently available to shareholders on the Wacker Neuson SE company website → www.wackerneusongroup.com/en/ under Investor Relations / Corporate Governance. It is updated as required, at least once a year. Previous declarations of compliance, as well as declarations on corporate governance as part of the respective annual reports, are available for reference purposes on our website for a period of at least five years. Further details on our corporate governance policies and practices are presented in the following explanatory comments accompanying our declaration on corporate governance.

2. Corporate governance

These explanatory comments outline the roles and responsibilities of the Executive Board and the Supervisory Board as well as the composition plus roles and responsibilities of the Supervisory Board committees.

Wacker Neuson SE is a listed European company (Societas Europaea) incorporated under German law with its headquarters in Munich. It is registered in the German Register of Companies (Handelsregister) of the Munich Magistrate's Court under HRB 177839. Upon foundation of the company, shareholders chose the dual management system common under the German Stock Corporation Act, comprising two executive bodies, the Executive Board and the Supervisory Board, each vested with different spheres of competence. The two bodies work closely together on a basis of mutual trust and are committed to increasing the company's long-term value.

Executive Board

The Executive Board represents the company vis-à-vis third parties and manages its business in accordance with legal regulations, the Articles of Incorporation and the rules of procedure for the Executive Board. In the year under review, the Executive Board consisted primarily of three members and continues to do so for the time being. For a short time only, the Executive Board was expanded to four members in December 2020. The Executive Board is responsible for managing the company and represents it both legally and otherwise. It functions on the basis of joint accountability. All members of the Board are jointly responsible for all areas of company management.

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

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

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

Mr. Martin Lehner was CEO of Wacker Neuson SE, the parent company of the Group, throughout the year under review. A Deputy CEO was not appointed. From January 1, 2021 until further notice, Mr. Kurt Helletzgruber, who was appointed to the Executive Board by the Supervisory Board, will be acting as 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 item 34 "Executive bodies" (Wacker Neuson Group Annual Report 2020).

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 appropriately 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. It has set an age limit of 62 years for members of the Executive Board.

Drawing on support from the Presiding Committee and in consultation with the Executive Board, the Supervisory Board develops long-term succession plans for Executive Board positions. Succession planning is discussed internally within the Supervisory Board, in particular by the Presiding Committee, which continually monitors the performance of the Executive Board and identifies any need for additions at an early stage. When making any decisions regarding the composition of the Executive Board, the Supervisory Board considers the terms of office of the current members of the Executive Board and any extension options as well as the areas of responsibility that will need to be filled and the company's strategic plans.

With regard to the need for new Executive Board members moving forward, the Supervisory Board aligns with the Executive Board to focus on identifying and professionally developing individuals from the next management levels within the company. To this end, regular talks are held with different managers in the Group to determine, in collaboration with the Executive Board, whether these individuals are suited for higher-level executive positions and, where necessary, to ensure suitable candidates have access to targeted development measures.

As such, the Supervisory Board and the Executive Board consult regularly about specific potential successor candidates. Based on Supervisory Board and Executive Board consultations and personal discussions, the Supervisory Board and/or the Presiding Committee draw up profiles for upcoming vacancies outlining the key qualities/skills and qualifications required of potential candidates. The Chairman of the Executive Board is also included in this process, unless the CEO position is being profiled. Where necessary, external consultants are brought in to provide the Supervisory Board and/or the Presiding Committee with support in drawing up the requirements profiles and/or choosing suitable individuals. If a position on the Executive Board has to be filled at short notice, internal and external candidates are considered in parallel and selected in an appropriate process tailored to the specific situation.

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 ownership structure into consideration, the composition of the Supervisory Board reflects the company's international focus, the need to avoid conflicts of interest, the need for an appropriate number of Supervisory Board members considered independent by the Supervisory

Board, the age limit of 75 for Supervisory Board members as defined by the Supervisory Board, and the principle of diversity.

The Supervisory Board regards the definition of the term “independence” as outlined in DCGK 2020 as well as the indicators and/or criteria framing a lack (or alleged lack) of independence as defined therein to be factually incorrect. As all shareholder representatives gear all of their decisions as members of the Supervisory Board exclusively towards the interests of the company, the Supervisory Board deems them to be generally independent of the company, the Executive Board and the controlling shareholders – also in view of and especially with regard to the relations as outlined in the declaration of compliance under Sections 5.4.2, 5.4.1 (4) sent. 3 and 5.3.2 DCGK 2017 set out above under Section 1.

The terms of office of all Supervisory Board members, who were all most recently reelected or, in the case of employee representatives, reappointed during the period under review, run until the close of the AGM that tables a resolution to formally approve the actions taken by the company in fiscal 2024, but no longer than for six years. The members of the Supervisory Board have been in office for the following periods: Hans Neunteufel (since October 2007), Kurt Helletzgruber (since October 2007), Christian Kekelj (employee representative since June 2017), Prof. Dr. Matthias Schüppen (since May 2014), Elvis Schwarzmair (employee representative since August 2002) and Ralph Wacker (since May 2014). Further details on individual members of the Supervisory Board are disclosed in the Notes to the Consolidated Financial Statements, item 34 “Executive bodies” (Wacker Neuson Group Annual Report 2020).

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 supervisory and control process – provide for clear and transparent procedures and structures. The rules of procedure will soon be available on the company’s website. The Supervisory Board regularly assesses the effectiveness of its own work and the work of its committees. For example, an assessment to this effect was again carried out at the start of the reporting period. To this end, all members of the Supervisory Board complete a detailed survey to rate the different aspects of the committees’ work and to also compare it to the previous year. Any areas that have markedly deteriorated since the previous year or which are rated as unsatisfactory in general are discussed in detail in plenary meetings and improvement measures are defined.

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 steers 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 Board and the Supervisory Board as well as specific details on the Supervisory Board’s activities and committees are disclosed in the report by the Supervisory Board. → Report of the Supervisory Board, page 8 onwards

Composition and roles/responsibilities of committees
In contrast to the Executive Board, the Supervisory Board forms two committees, the Presiding Committee and the Audit Committee.

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

The Audit Committee maintains close contact with the auditor. It appoints the auditor to review the Annual and Consolidated Financial Statements, identifies the focal points of the audit and receives the reports. Furthermore, the Audit Committee negotiates the fee with the auditor, assesses their independence and additional services they provide, and submits a proposal to the Supervisory Board for the auditor appointment to be approved by the AGM. It prepares the Supervisory Board discussions and resolutions required to approve the Annual and Consolidated Financial Statements, to review the Executive Board’s report on related third-party disclosures, and to review the non-financial Group statement. It supports and monitors the Executive Board in particular in relation to questions about the accounting process, the internal control system, the risk management system, the internal auditing system, and compliance. The Audit Committee members are Mr. Kurt Helletzgruber (up to November 30, 2020, after which his membership is suspended until further notice due to his appointment to the Executive Board), Prof. Dr. Matthias Schüppen, Mr. Ralph Wacker and Mr. Elvis Schwarzmair. Mr. Kurt Helletzgruber was chairman up to and including November 30, 2020; from December 1, 2020, this position was assumed by Prof. Dr. Matthias Schüppen. As financial experts, they both fulfill the requirements set out in Sections 100 (5) and 107 (4) AktG.

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

Further details on the activities of the Supervisory Board and its committees can be found in the current Supervisory Board report, which also reports on the participation of individual Supervisory Board and committee members in their sessions, as well as on any training or further education undertaken by members of the Supervisory Board.
→ Report of the Supervisory Board, page 8 onwards

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

The AGM this year will take place on May 26, 2021. Due to the COVID-19 pandemic, it is highly likely that the AGM will be held virtually once more (as was the case in 2020). The Executive Board makes it easier for shareholders to exercise their voting rights at the AGM by offering the opportunity to issue binding voting instructions to proxies named by the company. Shareholders can also do this during the virtual AGM via a password-protected online service. Information on how to vote by proxy before the AGM takes place will additionally be included in the invitation to the AGM meeting. It is also possible to submit a postal vote via the password-protected online service. These named proxies are also available during the AGM to shareholders registered with or using the password-protected online service. Furthermore, 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 auditor for appointment 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 has asked the auditor to immediately report to the Audit Committee all significant findings or events material to their duties that were identified during the audit. Furthermore, the auditor must report and record in the auditor's report any facts uncovered during the audit that could indicate that the information disclosed in the declaration of compliance with the German Corporate Governance Code issued by the Executive Board and Supervisory Board may be inaccurate.

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 internal control and risk management system along with the accompanying reporting mechanisms.

Specific details on risk management within the Wacker Neuson Group are disclosed in the → Risk report in the Combined Management Report (Wacker Neuson Group Annual Report 2020). This also includes a report on the control system and risk management system in relation to the accounting process.

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

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

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

Remuneration report
We report on the remuneration system applicable to the Executive Board in our Combined Management Report under → Remuneration framework, page 69 onwards. The AGM approved a resolution to refrain from publishing remuneration details for individual Executive Board members for fiscal 2020 in the interest of their privacy. From fiscal 2021 onwards, the company will draw up and publish the remuneration report for the Executive Board and the Supervisory Board as required by law.

The overall remuneration of the Executive Board and the Supervisory Board is disclosed in the above-mentioned section and in the Notes to the Consolidated Financial Statements in item 35 "Related party disclosures".

Diversity – Declaration regarding fixed targets for the proportion of women at management level
When appointing members to the Executive Board and the Supervisory Board, the company focuses on the qualifications and personal skills of potential female and male candidates particularly in relation to the company's specific situation. In the process of evaluating competency profiles, the Supervisory Board also places particular emphasis on the international nature of the company's business operations and the principle of diversity, also in relation to the age, gender, educational background and professional experience of female and male candidates. In this regard, the company does not pursue an explicit diversity concept as set out in the CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz). For further information on this and to avoid repetition here, refer to the information in Section C.1 of the German Corporate Governance Code in the above declaration of compliance.

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

When selecting and appointing members of the Executive Board, the Supervisory Board focuses on the qualifications and personal skills of potential men and women candidates, paying special attention to the company-specific situation. In this context, gender does not play a major role in the decision-making process. There are currently no women on the Wacker Neuson SE Executive Board (current percentage: 0 percent). The Supervisory Board does not wish to be tied by the need to meet quotas for female representation, so it remains free to prioritize qualifications and personal skills as mentioned above. In a corresponding 2017 resolution, the Supervisory Board stated its intention to refrain from setting a target percentage for female representation on the Executive Board that would see the number of women rise from the present level by December 31, 2021 (target percentage: 0 percent).

Equally, the Supervisory Board is focused on the qualifications and personal skills of potential men and women candidates when selecting and appointing members of the Supervisory Board, paying special attention to the company-specific situation (petition rights and voting obligations of key shareholder groups governed by a pool agreement). In this context also, gender is not the main priority in the decision-making process. There are currently no women on the Wacker Neuson SE Supervisory Board (current percentage: 0 percent). The Supervisory Board does not wish to be tied by the need to meet quotas for female representation, so it remains free to prioritize qualifications, personal skills and the company-specific situation as mentioned above. In a corresponding 2017 resolution, the Supervisory Board stated its intention to refrain from setting a target percentage for female representation on the Supervisory Board that would see the number of women rise from the present level by December 31, 2021 (target percentage: 0 percent).

In 2017, the Executive Board approved the following targets for the proportion of women appointed to managerial positions at Wacker Neuson SE, which it intends to achieve by December 31, 2021. These targets refer to staff who are directly employed by the company Wacker Neuson SE. The target percentage for line one below the Executive Board is 27 percent (currently 12 percent) and the target for line two below the Executive Board is 20 percent (currently 29 percent).

3. Corporate governance best practices

Compliance – principles of sound business and financial governance

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

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

Wacker Neuson has a Chief Compliance Officer. Together with the Compliance Office, this person serves as a contact point and advisor for compliance issues and is responsible for implementing a compliance management system geared towards the specific requirements of the Wacker Neuson Group. In this context, we defined the “Principles of our company ethics” – a mission statement outlining our commitment to integrity and to systematic compliance with statutory and regulatory requirements. These principles are explained in greater detail in the Code of Conduct for our employees. Both of these documents are available to the public at → www.wackerneusongroup.com/en/ under The Group / Compliance.

Compliance with these principles is also an essential foundation for trusted, long-term business relationships along our entire value chain. Our commitment in this area is set down in our code of conduct for suppliers, which can be found at → www.wackerneusongroup.com/en/ under The Group / Compliance.

Corporate Social Responsibility (CSR)

The Wacker Neuson Group assesses the effects of its value-adding processes on the environment and takes appropriate action to conserve resources as effectively as possible. As a matter of key importance, efforts here also focus on reducing costs associated with energy consumption and obtaining certification for production sites in line with ISO 50001 and ISO 14001 within the EU.

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

For 2020, we have issued a separate non-financial Group report, which will be published at the same time as this report and is available on the company website (in line with Section 315b HGB; CSR Directive Implementation Act).

Munich, March 18, 2021

Wacker Neuson SE

The Executive Board

Kurt Helletzgruber
Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Alexander Greschner
Chief Sales Officer (CSO)

Combined Management Report

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

Combined Management Report of Wacker Neuson SE and its Group for Fiscal 2020

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

The Annual Financial Statements of Wacker Neuson SE (which is structured as a holding company) have been prepared in accordance with the provisions of the HGB and the German Stock Corporation Act (AktG). The Management Report of Wacker Neuson SE is included in this Group Management Report in line with Section 315 (5) HGB; further details are disclosed in the Section → Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB), Page 43 The risks and opportunities facing Wacker Neuson SE cannot be differentiated from those facing the Group.

The Wacker Neuson Group

The Wacker Neuson Group is an international manufacturer of light and compact equipment. The company offers its customers a broad portfolio of products, a wide range of services and a global spare parts service. The Group has a total of seven production locations worldwide, with three sites in Germany, one in Austria, one in Serbia, one in the US and also – since 2018 – one site in China. Products are distributed globally via affiliates, Wacker Neuson sales and service stations and a network of sales partners.

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

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

BUSINESS SEGMENTS

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

Brands

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

GROUP BRANDS

Wacker Neuson Group

WACKER NEUSON all it takes!

KRAMER on the safe side

WEIDEMANN designed for work

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

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

Industries

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

TARGET INDUSTRIES

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

Organizational and legal structure

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

The Consolidated Financial Statements of Wacker Neuson SE are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. 48 companies, including the holding company, are fully consolidated in these statements.

Wacker Neuson SE operates as a management holding company with a central governance structure. It directly or indirectly holds the shares in its affiliates, which are mainly sales offices and production sites. The Executive Board of the holding company is responsible for managing the Group. Wacker Neuson SE also manages various Group functions.

The executive bodies of the affiliates report directly to Group management. In addition, the Americas region is managed and represented at Executive Board level by a regional CEO.

Refer to → General information on accounting standards, page 85 onwards in the Notes for detailed information on the legal structure.

PERFORMANCE INDICATORS (5-YEAR-PERIOD)

	2020	2019	2018	2017	2016
Revenue in € million	1,615.5	1,901.1	1,710.0	1,533.9	1,361.4
EBIT margin as a %	4.7	8.1	9.5	8.6	6.5
EBT margin as a %	3.3	7.2	11.9	8.2	6.0
Net working capital at Dec. 31 as a % of revenue	30.8	40.1	37.7	34.9	41.8
ROCE I[1] as a %	5.4	9.0	11.5	10.1	6.6
Equity ratio as a %	57.3	55.8	63.8	68.7	69.1
Net financial debt in € million	137.9	439.0	204.7	149.7	205.8
Gearing as a %	11.3	35.8	16.8	13.4	18.8
Free cash flow in € million	329.0	-115.7	-0.3	99.0	35.4

[1] ROCE I = EBIT as a % of capital employed at Dec. 31, see page 37. For further definitions, see Financial Glossary, page 150.

Corporate governance and value management

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

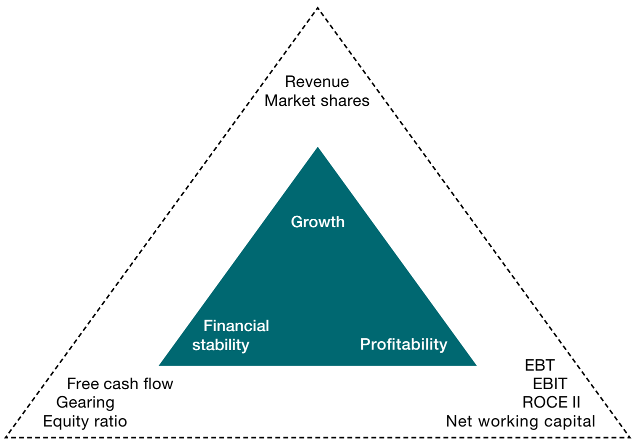
Important decisions on projects initiated by the company in response to changing market and customer requirements are generally made by management committees. These committees include members of the Executive Board as well as first- and second-line managers.

Company management focuses on gaining market shares in order to sustainably grow revenue while simultaneously increasing profitability. In addition, financial stability is a high priority for the Group. The most important key performance benchmarks for the Group and its affiliates are revenue, profit before interest and tax (EBIT) and net working capital. In order to widen the focus towards also emphasizing the financial result, profit before tax (EBT) will increasingly feature in profitability analysis at Group level in the future.

In addition, the company closely monitors its dividend payment policy, financing structure and return on capital employed. The net working capital as a percentage of revenue and return on capital employed before tax (ROCE I) are the indicators used here. Equity ratio, net financial debt and gearing are also used as indicators of balance sheet performance. Cash flow from operating activities and free cash flow are important indicators of the company's ability to finance itself.

The table above shows a year-on-year comparison of how these key indicators have developed. The terms are explained in the Financial Glossary. → Page 150 onwards

PERFORMANCE INDICATORS



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

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

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

General background

Overall economic trends

- COVID-19: Worst recession since the global economic crisis of the 1930s
- China reports growth in coronavirus year
- Strong euro impacts European economy

The ongoing effects of the COVID-19 pandemic plunged the global economy into a major recession in 2020. According to estimates made by the International Monetary Fund (IMF), global gross domestic product (GDP) decreased by 3.5 percent in 2020, compared with a 2.8 percent rise in the previous year. Governments and central banks implemented financial and monetary policies on an extraordinary scale to prevent the global economy from collapsing. In the second half of the year, the global economy recovered at a somewhat faster pace than expected. In January 2021, this prompted the IMF to raise its annual forecast for 2020, which it originally issued in October, by 0.9 percentage points. Overall, industrialized countries reported a drop of 4.9 percent (2019: +1.6 percent), while emerging economies contracted by 2.4 percent (2019: +3.6 percent).

The eurozone saw its economy shrink by 7.2 percent, which is a significantly larger decrease than the US (-3.4 percent). This primarily reflects the downturn in the first half of the year, which was significantly more pronounced than in the US. In the previous year, the eurozone reported growth of 1.3 percent, while the US economy expanded by 2.2 percent.

At -5.4 percent, the German economy contracted at a much slower rate than originally expected during the course of 2020. Although the retail and services sectors experienced major downturns as a result of the containment measures aimed at halting the spread of the pandemic, Germany was able to benefit from its strong industrial sector. The manufacturing sector proved to be relatively robust, especially in the second half of the year when industrial production continued at almost normal levels. The construction industry developed along a similar path, refer to → Overview of construction and agricultural industries, page 25 onwards.

REAL GDP (CHANGE FROM PREVIOUS YEAR)

AS A %

	2020	2019
World	-3.5	2.8
Eurozone	-7.2	1.3
Germany	-5.4	0.6
USA	-3.4	2.2
South America	-7.4	0.2
China	2.3	6.0
Russia	-3.6	1.3
Middle East and Central Asia	-3.2	1.4
South Africa	-7.5	0.2

Source: IMF, January 2021

China reported growth of 2.3 percent despite the coronavirus pandemic. With the majority of the country returning to normality as early as April, the economy recovered faster than expected. This development was aided by China's robust export sector plus extensive support measures offered by the government. In the previous year, China reported GDP growth of 6.0 percent, which was the lowest figure for the country in almost three decades.

Currency trends

The euro increased significantly in value in 2020. The common European currency gained ground against the US dollar and the currencies of other established economies such as the UK and Japan. The currencies of emerging economies such as Brazil, India, Russia and South Africa even experienced double-digit drops against the euro. The increase in the euro's value was fueled by lower interest rate differentials relative to the US and other currency areas, the agreement of a joint recovery fund in Europe, and Europe's handling of the coronavirus pandemic, which is generally regarded to be more successful than the US. The strong euro could delay economic recovery from the crisis as it could negatively impact export and inflation in the eurozone.

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

1 Euro equals	2020	2019	Change as a %
US dollar (USD)	1.2271	1.1234	9.2
Swiss franc (CHF)	1.0802	1.0854	-0.5
British pound (GBP)	0.8990	0.8508	5.7
Japanese yen (JPY)	126.4900	121.9400	3.7
Australian dollar (AUD)	1.5896	1.5995	-0.6
Brazilian real (BRL)	6.3735	4.5157	41.1
Chinese yuan (CNY)	8.0225	7.8205	2.6
Indian rupee (INR)	89.6605	80.1870	11.8
Canadian dollar (CAD)	1.5633	1.4598	7.1
Russian ruble (RUB)	91.4671	69.9563	30.7
South African rand (ZAR)	18.0219	15.7773	14.2

Source: Notes to the Consolidated Financial Statements, page 91.

Overview of construction and agricultural industries

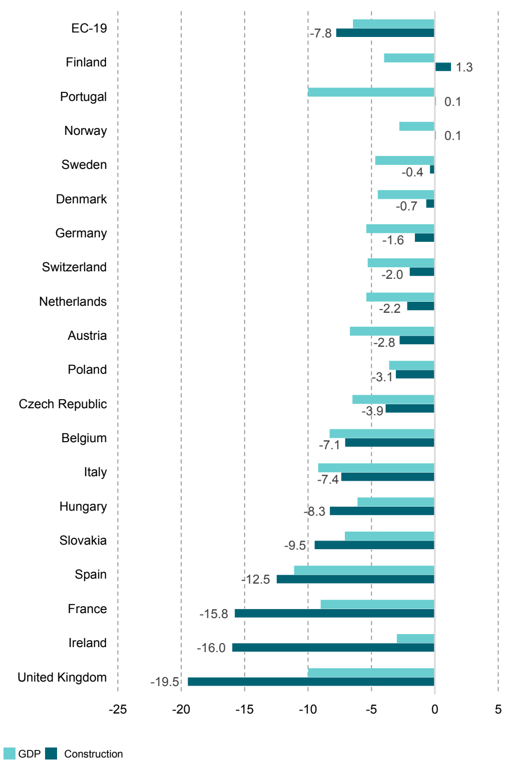
- Major slump in the global construction sector due to COVID-19
- Construction equipment industry reports significant revenue losses
- Agricultural equipment sector on a V-shaped recovery path

Business performance of the Wacker Neuson Group is largely shaped by developments in the global construction industry, which was impacted severely in 2020 by the sharp downturn in construction activity and demand caused by the restrictions put in place to contain the spread of the COVID-19 pandemic. According to Euroconstruct, construction activity in Europe slumped by 7.8 percent, although the situation varied markedly from one country to another. Construction activity in Germany and Northern European countries, for example, continued at a more or less uninterrupted rate, enabling these markets to remain relatively stable. However, other key markets such as France, the UK and Spain experienced major downturns. Unlike conventional economic crises, COVID-19 exerted a strong squeeze not just on the non-residential sector but also on the residential and renovation sectors as government restrictions and legal uncertainties forced many construction and renovation projects to be put on hold over prolonged periods of time. Activity in the US construction sector also dropped sharply by 11.3 percent. Commercial construction was particularly hard hit by developments there.

The construction equipment sector also reported significant revenue losses. In its report published in September 2020, the market research institute Off-Highway Research estimated that global sales of construction equipment would drop by around 16 percent in 2020 relative to the previous year. Discounting China, which reported growth of around 14 percent, the market would actually have contracted by 27 percent. However, the German Engineering Federation (VDMA) estimated that North America and Europe experienced the largest losses, with these two regions reporting downturns of 30 percent and 20 percent respectively in the first nine months of 2020. According to the VDMA, German suppliers experienced a comparatively moderate decrease of 10 percent in 2020.

CHANGES IN GDP AND THE EUROPEAN CONSTRUCTION INDUSTRY 2020E

AS A %



Source: Construction industry data: Euroconstruct, December 2020.
GDP data: International Monetary Fund, October 2020, includes updated values from January 2021 relating to Germany, France, Great Britain, Italy and Spain.

Agricultural equipment sector on a V-shaped recovery path

In April, the business barometer published by the European umbrella association for the agricultural machinery industry (CEMA), plunged to its lowest level since the financial crisis due to shockwaves from the COVID-19 pandemic. In Q3, however, the index rapidly recovered to pre-coronavirus levels. Initially, this positive trend was primarily fueled by the assessment of current business developments, which European agricultural equipment manufacturers rated as being much better than expectations for future developments. In the second half of the year in particular, the industry seemed to continually adapt its future expectations in line with the surprisingly positive trends in current business. Buoyed by solid revenue and order intake levels from European and non-European countries, which then increased towards the end of the year, the index reached its highest level in more than two years in December. At the start of the second half of the year, the positive mood extended to all segments with the exception of harvesting equipment. By the fourth quarter, however, the mood among the livestock farming, gardening and landscaping, and municipal sectors took a negative turn once more.

General legal framework

- Continued implementation of new technological requirements
- EU Stage V emissions standard applicable in Europe

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

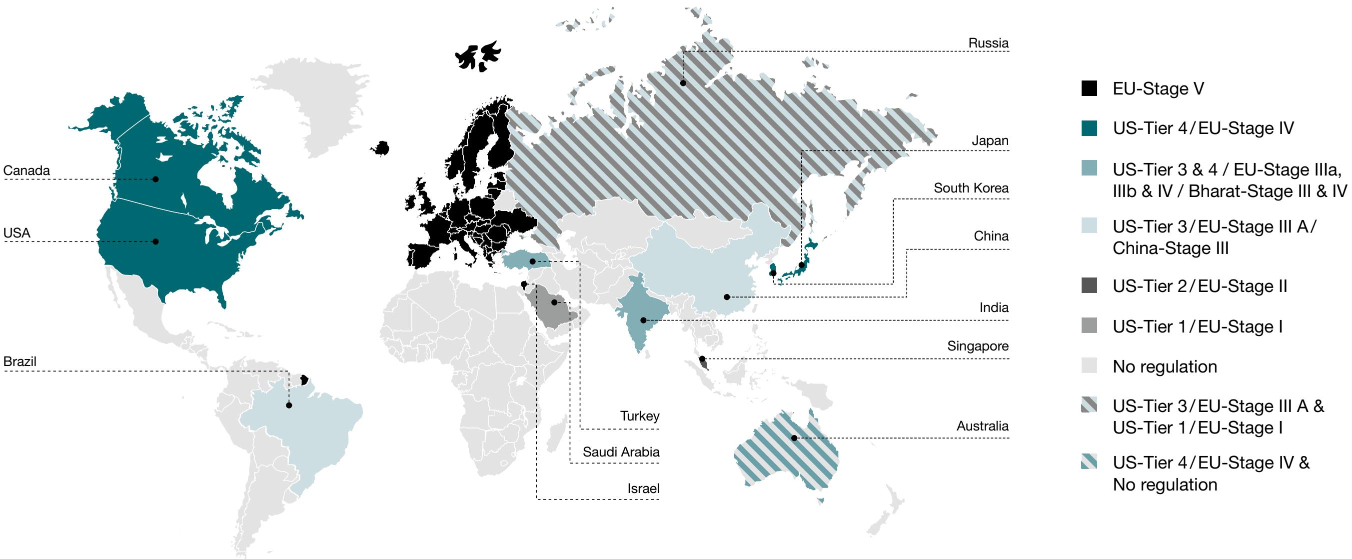
The company's product portfolio is thus reviewed on an ongoing basis and, if necessary, adapted to ensure compliance with new requirements and harmonized standards and norms. The aim is always to integrate the requirements outlined under new regulations as promptly as possible into processes and products.

Emissions standards for light and compact equipment

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

On January 1, 2020, the EU Stage V emissions standard came into force in Europe for power categories between 56 kW and 130 kW. The standard has been applicable to engines <56 kW and ≥130 kW since January 1, 2019. In response to pressure from numerous stakeholder groups, transition periods have been in place since these standards came into force. These enable manufacturers to continue fitting machines with engines from the previous stage and putting these on the market. The Wacker Neuson Group is availing of these transition periods to reduce its inventory of pre-buy engines. The deadline for fitting these engines for the power class <56 kW and ≥130 kW was originally set at June 30, 2020. The deadline for marketing these machines was set at December 31, 2020. In light of the impact that the COVID-19 pandemic is having on global supply chains, the European Parliament decided in July 2020 to extend each of these deadlines by 12 months. As such, they will now end at the same time as the transition periods for the power class between 56 kW and 130 kW. The Group has made thorough preparations for the transition to the new emissions stage in recent years and has already implemented it in many product groups. The Group's inventory of pre-buy engines had already been significantly reduced in recent quarters and thus amounted to just around EUR 4.6 million at December 31, 2020 (2019: EUR 20.4 million). In addition to this, the Group is currently preparing for the China IV emissions standard, which was finalized at the end of 2020 and will come into force at the end of 2022.

EVEN TIGHTER EMISSIONS REGULATIONS FOR DIESEL ENGINES



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

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

Competitive position

- Differentiation from the competition through innovation and broad range of products
- Broad offering of all-electric light and compact equipment

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

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

In addition, the Wacker Neuson Group operates in the agricultural equipment sector through its Weidemann and Kramer brands. Weidemann manufactures articulated wheel loaders and telescopic handlers. Through its partnership with John Deere (refer to → Strategic alliances, page 28), Kramer has markedly expanded its sales of machines for the agriculture industry in recent years, serving the sector with its portfolio of all-wheel drive machines. In this sector, the Group competes with companies such as Schäffer, Manitou and JCB.

Electric drives are playing an ever more important role in the Wacker Neuson Group's target product segments. In light of the ambitious goals set out in the EU's Green Deal, the Group expects the construction sector to be subject to more stringent regulations over the coming years. The Wacker Neuson Group is one of the first manufacturers in the world to offer a broad portfolio of emissions-free, low-noise light and compact equipment, enabling contractors to operate urban construction sites that are completely free of exhaust gas emissions. The Wacker Neuson Group intends to remain on its current strategic path and even speed up the development of new electrically powered machines (for further information, refer to → Research and development, page 51).

Winning market shares through innovation

The Group's strong market position for certain core product groups is built mainly on innovative strength, customer centricity, outstanding product and service quality, comprehensive product development and manufacturing know-how and an efficient sales and service network. With some core products, the Group has secured solid two-digit market shares.

In fiscal 2020, the Wacker Neuson Group won market shares in a number of regions and product areas. During the coronavirus pandemic, the Group also benefited here from its strong delivery capabilities.

Strategic alliances

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

John Deere

In fiscal 2017, Group affiliate Kramer and John Deere entered into a strategic alliance for the distribution of telescopic handlers and wheel loaders for the agricultural sector. The agreement covers the sale of Kramer-branded “green line” compact equipment. Featuring the Kramer design and brand, the machines are distributed via the John Deere dealer network. The collaboration got off to a successful start in 2017 and has developed positively since then. Kramer was able to get numerous dealers on board in fiscal 2020 in Central European markets, as well as in Southern Europe and Scandinavia. By intensifying its efforts in Eastern Europe, the partners also won over several dealers in Russia. Buoyed by the positive feedback to the strategic alliance in Europe and the Commonwealth of Independent States, the two partners decided to expand it to other regions of the world. As a result, the alliance signed up its first dealers in Australia and New Zealand at the end of the fiscal year.

The agricultural equipment market is growing rapidly. Through long-term collaboration with John Deere dealers, Kramer is aiming to sustain and expand its market reach in the segment. John Deere recommends Kramer to its sales partners as the preferred supplier for compact wheel loaders, tele wheel loaders and telescopic handlers. The products are developed and manufactured at the Kramer site in Pfullendorf.

In addition, the Wacker Neuson Group entered into a strategic alliance with the construction equipment division of John Deere in 2018 for the distribution of mini excavators and compact excavators under the “Deere” brand in China, Australia and select Southeast Asian countries. In 2020, however, John Deere withdrew equipment in the “under 10 ton” class from the Chinese market due to challenging market dynamics. This does not affect the alliance's reach in Australia and Southeast Asian countries. The companies are aiming for long-term cooperation in these important growth markets. The partners are looking to further develop their market positions in the mini excavator and compact excavator segments. The partnership covers machines in the 1.7- to 7.5-ton weight categories, which were specially developed by Wacker Neuson to meet the requirements of the Asian markets. Wacker Neuson supplies most of the machines from its Chinese plant in Pinghu, where mini excavator and compact excavator production has been up and running since January 2018.

Wirtgen/Hamm

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

Trackunit

The Group is continuing to expand its digital offering. Trends like the digital networking of products and services play a key role in adding value to customers (refer to → Segment reporting by business segment: Services, page 49). To support these efforts, the Wacker Neuson Group entered into a strategic alliance for the development and use of telematics systems and mobile apps for compact equipment with the Danish telematics specialist Trackunit in 2018.

Caterpillar

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

Zeppelin

Wacker Neuson has been manufacturing mobile excavators in the 6.5- and 11-ton weight categories for Zeppelin Baumaschinen GmbH since 2018 as part of a cooperation agreement. The mobile excavators are manufactured according to Zeppelin's design specifications at Wacker Neuson's plant in Hörsching, near Linz, and distributed via Zeppelin's branch network. In addition to this, Wacker Neuson has been supplying a portfolio of 15 light equipment products in the field of hand-guided compaction technology for Zeppelin since 2018. The collaboration was expanded to Austria, the Czech Republic and Slovakia in 2020 and shall be further rolled out to Denmark and Sweden in 2021.

Dingo Mini Diggers

The strategic alliance between Dingo Mini Diggers Pty Ltd and Wacker Neuson Australia got underway in March 2020. Since then, the “Wacker Neuson Mini Loader by Dingo Australia” have been available in Australia, New Zealand and the Pacific Islands. These compact, powerful machines are available as track or wheel models and can be paired with a host of different attachments.

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

Business trends

- Development in Europe comparatively stable, significant revenue losses in the Americas
- Profitability impacted by downturn in revenue, loss allowances and one-off impairment losses
- Positive cash flow development leads to a sharp drop in net financial debt

General statement on business performance

The Wacker Neuson Group reported significant revenue losses in fiscal 2020 due to the effects of the coronavirus pandemic. The protective measures implemented by many countries, institutions and companies interrupted construction activity and supply chains, particularly during the first half of the year. Widespread lockdowns and major uncertainties about how the pandemic would evolve had a markedly negative impact on customers' investment behavior and also the Wacker Neuson Group's business situation. The Group reported revenue of EUR 1,615.5 million, which is a decrease of 15.0 percent relative to the previous year (2019: EUR 1,901.1 million). Adjusted for currency effects, this corresponds to a drop of 14.2 percent.

In Europe, revenue for 2020 fell 6.5 percent relative to the previous year to EUR 1,289.7 million (2019: EUR 1,379.0 million). Widespread lockdowns negatively impacted business in France and Spain in particular and caused double-digit revenue losses. Revenue also decreased markedly in Northern European countries and Poland. In contrast, business developed more positively in Germany, Austria and Switzerland, where the Group benefited from its particularly dense network of its own sales affiliates and dealer partners. The Group was able to compensate somewhat for downturns in new equipment sales with revenue gains in the services segment. Business with agricultural equipment manufactured by the Group brands Kramer and Weidemann also had a stabilizing effect here with revenue decreasing by 1.9 percent to EUR 304.3 million (2019: EUR 310.2 million).

The Americas was particularly hard hit by COVID-19 and revenue for this region fell 41.2 percent to EUR 270.4 million (2019: EUR 459.5 million). This was primarily attributable to a strong reluctance to invest among major customers and rental chains, who demonstrated a more pronounced scaling back than the overall market. In light of the rapid spread of the coronavirus in the second quarter as well as a weak demand and comparatively high inventory levels, production at the US plant in Menomonee Falls was largely halted from April onwards. The first production lines were gradually ramped up again towards the end of the third quarter in response to positive order intake trends.

In the Asia-Pacific region, revenue decreased to EUR 55.4 million relative to the previous year (2019: EUR 62.6 million). Revenue losses were particularly evident in the first quarter here, as the Chinese plant closed down for several weeks in connection with COVID-19. The situation in China and Australia rapidly improved in the following months. However, countries in Southeast Asia showed no signs of improvement.

Profit before interest and tax (EBIT) for the period under review decreased 50.7 percent to EUR 75.5 million (2019: EUR 153.1 million). The EBIT margin reached 4.7 percent (2019: 8.1 percent). In addition to the sharp drop in revenue generated by the Group as a whole, Group profit was negatively impacted in particular by the aforementioned development of business in the Americas. In light of the marked downturn in revenue, the negative development of profit and the lowering of expectations regarding the development of business in the region, the goodwill attributed to the US subgroup was completely written down. In addition to this, value adjustments in connection with allowances for doubtful receivables were made and additional impairment losses on assets were recognized.

One-off expenses related to the program to reduce costs and increase efficiency, which was approved in January 2020, were also incurred. At the same time, however, the Group was able to mitigate some of the negative effects on earnings by rapidly implementing measures in response to the sharp drop in demand. These included extended vacation periods using up hours in flextime accounts, a range of short-time working models and a significant reduction in operating costs. In addition to this, the Group began to see the positive effects of more favorable procurement prices, which it managed to secure as part of its program to reduce costs and increase efficiency levels. An improved product mix – reflecting the higher share of the profitable services segment in the total revenue mix – also lent positive momentum. (Refer to → Profit, page 31)

Cash flow develops positively due to a sharp drop in net working capital

Cash flow from operating activities reached a record high of EUR 405.0 million (2019: EUR -20.9 million). This is primarily attributable to a reduction in inventory and a drop in trade receivables. In the previous year, a sharp rise in net working capital resulted in a clearly negative cash flow (refer to → Financial position, page 33). Free cash flow amounted to EUR 329.0 million (2019: EUR -115.7 million).

Comparison between the actual and projected performance

In its guidance for fiscal 2020, the Executive Board expected Group revenue to amount to between EUR 1,700 and EUR 1,900 million and the EBIT margin to lie between 6.5 and 8.5 percent. Net working capital expressed as a percentage of revenue was predicted to stagnate or be slightly lower than the previous year (2019: 40.1 percent). The Executive Board expected investments in property, plant and equipment and intangible assets between EUR 80 and EUR 100 million.

On April 21, the Executive Board withdrew its guidance for fiscal 2020 in light of the COVID-19 pandemic, the associated protective measures and the high levels of uncertainty regarding future business development.

In its half-year report published on August 5, the Group announced that it was still not feasible to formulate reliable, concrete new guidance as it was impossible to predict the effects of the pandemic on the global economy as well as on the Wacker Neuson Group's sales markets and supply chains. The Executive Board did, however, expect that revenue and the EBIT margin for 2020 as a whole would be considerably lower than the previous year (revenue 2019: EUR 1,901.1 million; EBIT margin 2019: 8.1 percent). The Executive Board also predicted that the absolute value for net working capital at the end of 2020 would be considerably lower than the prior-year figure (December 31, 2019: EUR 761.9 million) and investments would now amount to around EUR 80 million. In its Q3 report published on November 5, Wacker Neuson adjusted its forecast for net working capital, with the Executive Board stating that it expected net working capital to decrease further by the end of the year, albeit at a slower rate than in previous months.

Revenue and the EBIT margin for fiscal 2020 amounted to EUR 1,615.5 million and 4.7 percent respectively and were thus significantly lower than in the previous year (2019: EUR 1,901.1 million and 8.1 percent). Net working capital amounted to EUR 497.5 million at the closing date and was also markedly lower than the prior-year figure (2019: EUR 761.9 million). The net working capital ratio reached 30.8 percent and was thus only slightly higher than the range set out in Strategy 2022 of 30 percent or less of revenue (2019: 40.1 percent). Investments in property, plant and equipment and in intangible assets amounted to EUR 86.9 million (2019: EUR 89.2 million).[1]

On January 20, 2021, the preliminary, unaudited figures for the previous fiscal year were published. The Executive Board announced revenue of around EUR 1,610 million, EBIT of around EUR 73 million and net working capital at the closing date of December 31 of around EUR 490 million.

Equity ratio above prior-year level
Group equity fell slightly to EUR 1,218.1 million during the period under review (2019: EUR 1,225.0 million). The Group utilized the positive development of free cash flow to repay current liabilities, among other things. This pushed up the equity ratio to 57.3 percent (2019: 55.8 percent). Gearing improved to 11.3 percent, which is its lowest level in nine years (2019: 35.8 percent).

Long-term financial basis strengthened
In light of uncertainties surrounding the overall economic environment related to the COVID-19 pandemic, Wacker Neuson SE placed a promissory note (Schuldschein) in the amount of EUR 50 million in August. The promissory note (Schuldschein) was issued in one tranche of three years with a fixed interest rate. The allotment took place at the lower end of the marketing range. The resulting funds were used to repay short-term credit lines.

In the third quarter, the Group also entered into an asset-backed securities (ABS) program with a total volume of USD 150 million to secure long-term customer financing in the key growth market of North America. Refer to → Financial position on page 37 and Segment reporting, page 47 for further details on this.

Changes in the composition of the executive bodies
On October 1, 2020, the Supervisory Board of Wacker Neuson SE appointed Felix Bietenbeck as a fourth member to the Executive Board, making him incumbent of the newly created position of Chief Operations Officer (COO).

On November 18, 2020, the Group announced that Martin Lehner, Chairman of the Executive Board, CEO and CTO of Wacker Neuson SE, had informed the Supervisory Board that he would not be available for a further term due to personal reasons. The Group also announced that the Supervisory Board of Wacker Neuson SE and Wilfried Trepels, CFO, reached a mutual agreement that Mr. Trepels would leave the company early after he had communicated to the Supervisory Board that he would not be available for a further term due to differences in opinion over company management and that he would thus be stepping down from his position on November 30, 2020. Following his departure from the Executive Board on December 31, 2020, Martin Lehner will continue to support the company in an advisory capacity until March 31, 2021.

Mag. Kurt Helletzgruber, Chairman of the Audit Committee, has been appointed to the Executive Board by the Supervisory Board until June 30, 2021 in line with Section 105 (2) AktG. On December 1, 2020, Mr. Helletzgruber was appointed temporary CFO and on January 1, 2021, he also took on the role of temporary Chairman of the Executive Board. Prof. Dr. Matthias Schüppen was appointed Chairman of the Audit Committee.

Group expects to achieve Strategy 2022 goals one to two years later than planned
The growth strategy “Strategy 2022” was launched in March 2018 with the aim of ensuring that the Wacker Neuson Group is focused 100 percent on its customers’ needs. It is designed to make the Group more streamlined and more agile. Guided by the initiative’s three strategic pillars of “focus”, “acceleration” and “excellence”, the Group aims to further expand its market positions while at the same time driving growth and increasing profitability. Amidst the major uncertainties that shaped 2020, these pillars provided important guidance for the entire organization, giving the Executive Board, managers and team members an overarching framework for initiating and implementing appropriate measures. After reporting double-digit growth rates in fiscal 2017, 2018 and 2019, the Group suffered a significant growth setback in 2020. In November, Wacker Neuson announced that it expected to meet the medium-term goals set out in its Strategy 2022 one to two years later than planned. The Group aims to increase revenue to over EUR 2 billion and achieve an EBIT margin in excess of 11 percent. It also plans to reduce net working capital to 30 percent or less of revenue. For further information on Strategy 2022, refer to → Opportunities for future development, page 72 onwards.

PROJECTED AND ACTUAL PERFORMANCE

	Guidance March 9, 2020	Guidance April 21, 2020	Guidance August 5, 2020	Guidance November 5, 2020	Achieved 2020
Revenue	€ 1,700m to € 1,900m	Prediction not possible	Significantly lower than previous year	Unchanged	€ 1,615.5 m
EBIT margin	6.5 to 8.5%	Prediction not possible	Significantly lower than previous year	Unchanged	4.7%
Net working capital as a % of revenue	Stagnating to slightly lower than previous year	Prediction not possible	No guidance	No guidance	30.8%
Net working capital	No guidance	No prediction	Significantly lower than previous year	Further decrease at a slower pace	€ 497.5 m
Investments[1]	€ 80m to € 100 m	Prediction not possible	Approx. € 80 m	Approx. € 80 m	€ 86.9 m

[1] In property, plant and equipment and intangible assets (this figure does not include investments in the Group’s rental equipment or purchase of investments).

Profit, financials and assets

The report on profit, financials and assets covers a total of 48 consolidated Group companies (2019: 55) including the holding company, Wacker Neuson SE.

Profit

- Group revenue and profit shaped by the effects of the coronavirus crisis
- Allowance for doubtful receivables
- Impairment losses

Group business shaped by the development of the coronavirus pandemic[1]
Business development across the Wacker Neuson Group was heavily affected by the effects of the coronavirus pandemic in fiscal 2020. After a positive start to the year, the economic situation deteriorated significantly due to the rapid spread of COVID-19 from the second half of March onwards. Revenue for the first quarter contracted by a relatively moderate 5.6 percent. However, conditions worsened rapidly during the second quarter. Revenue shrank by 25.4 percent. The protective measures implemented by many countries, institutions and companies interrupted construction activity and supply chains. Widespread lockdowns and major uncertainties about how the pandemic would evolve had a markedly negative impact on customers' investment behavior and also the Wacker Neuson Group's business situation. The pandemic continued to have a major impact into the third quarter. Revenue for the period decreased by 16.5 percent. While initial signs of recovery started to emerge in a number of European countries in particular, the effects of the coronavirus crisis continued to impact the development of business in North America. These trends continued into the fourth quarter and revenue was 10.9 percent below the previous year.

Group revenue for fiscal 2020 as a whole amounted to EUR 1,615.5 million, which is a decrease of 15.0 percent relative to the previous year (2019: EUR 1,901.1 million). Adjusted for currency effects, revenue fell 14.2 percent. The Group's business with customers in the agricultural sector had a stabilizing effect. Revenue in this industry contracted 1.9 percent to EUR 304.3 million (2019: EUR 310.2 million). Business in the construction sector, which was comparatively robust in Europe in particular, enabled the Group to soften the effects of the sharp downturn in the Americas region. The Group's business with key accounts worldwide developed below par due to the prevailing uncertainties.

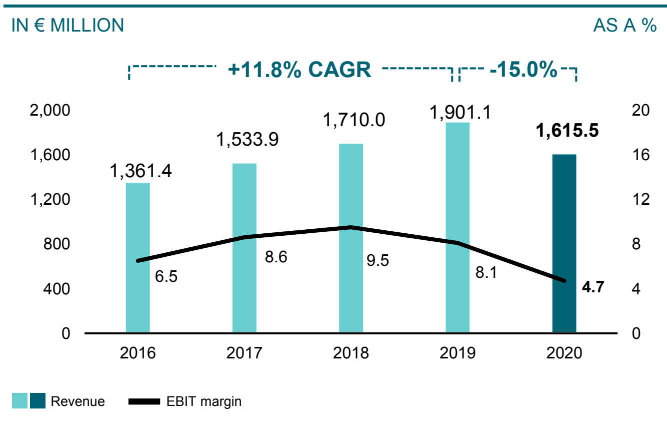
Profitability down on previous year
The Group also reported a sharp drop in earnings. Mirroring the downturn in revenue, gross profit fell 15.7 percent to EUR 400.3 million (2019: EUR 474.9 million). The gross profit margin amounted to 24.8 percent and was thus only slightly below the prior-year figure of 25.0 percent. Profit before interest and tax (EBIT) fell much more sharply, decreasing 50.7 percent to EUR 75.5 million (2019: EUR 153.1 million). The EBIT margin amounted to 4.7 percent (2019: 8.1 percent).

This sharp downturn in profit was primarily fueled by value adjustments in connection with allowances for doubtful receivables in the total amount of EUR 33.3 million, the impairment of goodwill attributed to the US subgroup in the amount of EUR 9.2 million, as well as additional impairment losses on assets totaling EUR 11.7 million.

A negative effect in the total amount of EUR 9.1 million was recognized as a result of the program to reduce costs and increase efficiency, which was approved in January 2020. This included restructuring costs in line with IAS 37 in the amount of EUR 5.4 million (primarily compensation payments in the Americas region) as well as a portion of the abovementioned impairment losses on assets. By contrast, income from deconsolidations and the sale of a property had a positive effect.

The Group was able to mitigate some of the negative effects on earnings by rapidly implementing measures in response to the sharp drop in demand. These included extended vacation periods using up hours in flextime accounts, a range of short-time working models and a significant reduction in operating costs. In addition to this, the Group began to see the positive effects resulting from more favorable procurement prices, which it managed to secure as part of its program to reduce costs and increase efficiency levels. An improved product mix – reflecting the higher share of the profitable services segment in the total revenue mix – also lent positive momentum.

REVENUE AND MARGIN DEVELOPMENT 2016 – 2020



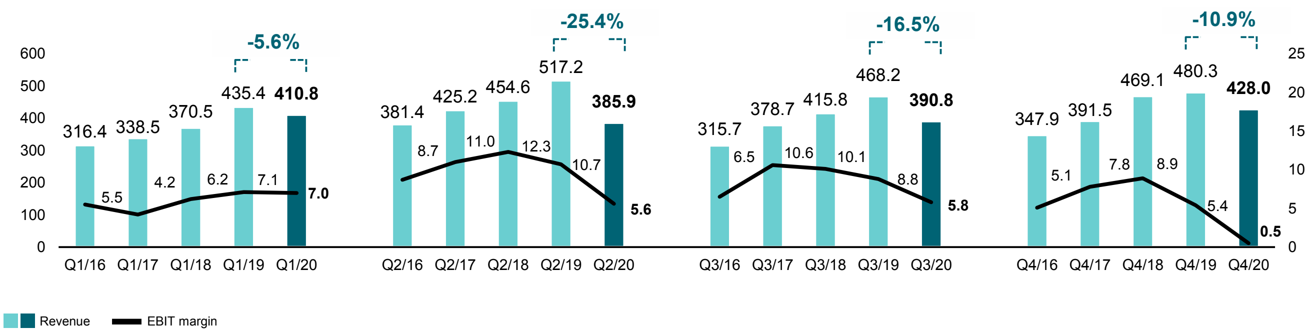
- After reporting double-digit growth rates in fiscal 2017, 2018 and 2019, the Group suffered a sharp dip in 2020 as a result of the effects of the coronavirus crisis.
- At 4.7 percent, the EBIT margin was clearly below the previous year's figure. This drop is attributable to a decrease in revenue, the creation of allowances for doubtful receivables, one-off impairment losses and restructuring costs.

In fiscal 2019, there was a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Fisc. 2018 has been adjusted accordingly.

[1] All information on individual quarters is unaudited.

QUARTER-ON-QUARTER COMPARISON: REVENUE AND EBIT MARGIN 2016 – 2020 (QUARTERLY FIGURES UNAUDITED)

IN € MILLION
AS A %



In fiscal 2019, there was a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Fisc. 2018 has been adjusted accordingly.

Moving in parallel to the development of revenue, the cost of sales fell 14.8 percent as a result of the significant drop in production volumes and thus amounted to EUR 1,215.2 million (2019: EUR 1,426.2 million). Impairment losses on assets in the amount of EUR 9.0 million had a negative effect here.

While cost of sales is mainly directly linked to sales volumes achieved by the Group, operating costs follow a less variable trajectory. Total SG&A and R&D expenses fell significantly as a result of cost-efficiency measures implemented by the Group. These included reductions in overhead costs, a recruitment freeze and savings in other property, plant and equipment costs. Using up hours in flextime accounts and the introduction of a range of short-time working models also had a dampening effect on costs. Adjusted to discount value adjustments in connection with allowances for doubtful receivables in the total amount of EUR 33.3 million (2019: EUR 3.3 million), which are recognized under sales and service expenses, operating costs amounted to EUR 298.3 million (2019: EUR 334.2 million). This corresponds to a drop of 10.7 percent. The adjusted cost-to-revenue ratio reached 18.5 percent (2019: 17.6 percent). Including the allowance mentioned above, operating costs accounted for 20.5 percent of revenue (2019: 17.8 percent) and amounted to EUR 331.6 million (2019: EUR 337.5 million), which is a drop of 1.7 percent compared with the previous year.

Development of individual cost items

Sales and service expenses increased 1.3 percent to EUR 227.7 million (2019: EUR 224.8 million). This figure was shaped by the above-mentioned allowance for doubtful receivables in the amount of EUR 33.3 million (2019: EUR 3.3 million), largely attributable to the Americas region. In contrast, the costs incurred during the course of the Group's operational sales activities fell markedly. This decrease is primarily attributable to lower personnel costs, reduced expenses for trade shows and events, and a drop in travel expenses. Logistics costs developed in the opposite direction, however. In the previous year, sales and service expenses were pushed up by costs associated with the leading international trade fair Bauma.

Research and development costs amounted to EUR 32.5 million and were thus down on the prior-year level (2019: EUR 36.9 million). In conjunction with product development, more development costs were capitalized in 2020 than in the previous year (2020: EUR 31.7 million; 2019: EUR 26.3 million). The research and development ratio, including capitalized expenditure, amounted to 4.0 percent of revenue (2019: 3.3 percent). Refer to → Other factors that impacted on results, page 51 onwards for further information on new products, product enhancements and innovations.

General and administrative expenses fell 5.8 percent to EUR 71.4 million (2019: EUR 75.8 million). This is attributable to a number of factors including a drop in personnel and building costs as well as reduced travel expenses. The administrative cost ratio rose to 4.4 percent as a result of the marked drop in revenue (2019: 4.0 percent). The capitalized costs for IT and software amounted to EUR 5.7 million in 2020 (2019: EUR 9.6 million).

Impairment tests prompted by a change in circumstances lead to one-off allowances for doubtful accounts

Given the impact of the COVID-19 pandemic, the Executive Board of Wacker Neuson SE reviewed the business prospects of all key Group entities in the middle of 2020. In 2020, the pandemic had a particularly marked impact on business in North America, where demand from key accounts in particular developed significantly below internal projections. As a result, expectations in relation to the business performance of this region for the period under review were adjusted downwards. Based on updated business planning and an asset impairment test, the goodwill attributed to the US subgroup in the amount of EUR 9.2 million has been fully written down. At that time, management did not envisage a need for further write downs on other assets. The Group did not identify a need to recognize impairment losses for the two cash-generating units Weidemann GmbH and Wacker Neuson Beteiligungs GmbH. Prompted by market developments and the continued high levels of uncertainty, further impairment tests were carried out on individual assets in the second half of the year in response to the change in circumstances. This resulted in further write-downs on assets. Extensive value adjustments in connection with allowances for doubtful receivables were also recognized for the Americas region. These value adjustments significantly reduced the book value of the cash-generating unit. Refer to the Notes to the Consolidated Financial Statements for further information on this. → Page 85 onwards

Other operating income and expenses

At EUR 18.6 million, other operating income was on a par with the previous year (2019: EUR 17.6 million) and included income from the sale of real estate, government grants and a settlement payment related to an alliance in the Asia-Pacific reporting segment (refer to

→ Segmentation, page 48). In contrast, other operating expenses increased significantly to EUR 11.8 million (2019: EUR 1.9 million). This is primarily related to the impairment of goodwill attributed to the US subgroup.

Profit before interest, tax, depreciation and amortization (EBITDA) fell to EUR 204.6 million, compared with EUR 257.4 million in the previous year. The EBITDA margin reached 12.7 percent (2019: 13.5 percent).

In total, depreciation and amortization amounted to EUR 129.1 million in 2020 and was thus significantly higher than the previous year (2019: EUR 104.3 million). This is attributable to a number of factors, including the impairment of goodwill attributed to the US subgroup and additional impairment losses on assets. Depreciation and amortization includes write-downs on the Group's rental equipment in the amount of EUR 40.8 million (2019: EUR 41.0 million). Depreciation as defined by IFRS 16 amounted to EUR 22.6 million (2019: EUR 20.1 million).

Development of EBIT, financial result and profit for the period

Profit before interest and tax (EBIT) decreased 50.7 percent to EUR 75.5 million during the period under review. The EBIT margin came to 4.7 percent (2019: EUR 153.1 million; 8.1 percent).

The financial result for fiscal 2020 amounted to EUR -21.7 million (2019: EUR -15.6 million) and was negatively influenced by currency effects in the amount of EUR -10.6 million (2019: EUR -3.4 million). This was primarily attributable to negative effects related to internal Group liabilities. Interest income included in the financial result amounted to EUR -10.7 million and was thus above the previous year's figure (2019: EUR -12.3 million). For further information on the development of the financial result, refer to item 5, "Financial result", in the Notes to the Consolidated Financial Statements.

Profit before tax (EBT) amounted to EUR 53.8 million (2019: EUR 137.5 million). Tax expenditure came to EUR 39.7 million (2019: EUR 49.0 million), which corresponds to a tax rate of 73.8 percent (2019: 35.6 percent). The sharp increase in the tax rate compared with the previous year was primarily due to allowances for doubtful receivables, the impairment of goodwill attributed to the US subgroup and the currency effects recognized in the financial result. None of these matters can be recognized as expenses for tax purposes. Negative results from affiliates, for which no deferred tax assets were capitalized, as well as partial write-downs on existing deferred tax assets also contributed to the rise in the tax rate. For further information, refer to item 6, "Taxes on income", in the Notes to the Consolidated Financial Statements.

The Wacker Neuson Group realized net profit of EUR 14.1 million in fiscal 2020 (2019: EUR 88.5 million).

70.14 million ordinary shares were in circulation at all times during fiscal 2020. This resulted in earnings per share (diluted and undiluted) of EUR 0.20 (2019: EUR 1.26).

Financial position

- Free cash flow at record high due to significant reduction in net working capital
- In post-pandemic times, forward-looking investments aimed at securing further growth strategy

Principles and targets of financial management

At the Wacker Neuson Group, financial management encompasses the planning, management and controlling of all measures related to the sourcing (financing) and utilization (investment) of funds. The main focus is on ensuring and maintaining liquidity in the form of sufficient credit lines or liquid funds. Financial management also aims to optimize the company's risk/return ratio or profitability (return on equity and on assets) while also taking into consideration investment and financing risks. The Group draws on set balance sheet ratios and key indicators to manage its financing needs. The most important indicators here are net financial debt and the equity ratio. → Financial glossary, page 150

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

Refinancing developments

The Wacker Neuson Group benefits from its credit rating, which is also acknowledged by the banks. In 2020, Deutsche Bundesbank again confirmed that Wacker Neuson SE was eligible for credit. The company aims to maintain its independence, directly sourcing its own diverse refinancing lines on the market.

In light of uncertainties surrounding the overall economic environment as a result of the COVID-19 pandemic, Wacker Neuson SE placed a promissory note (Schuldschein) in the amount of EUR 50 million in August. The promissory note (Schuldschein) was issued in one tranche of three years with a fixed interest rate. The allotment took place at the lower end of the marketing range. The resulting funds were used to repay short-term credit lines. This had the effect of turning short-term credit lines into long-term borrowings.

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 all key companies are incorporated. All participants can draw on the positive cash pool balances provided by Wacker Neuson SE at individually fixed, fair market conditions. Interest accrues on deposits and withdrawals effected by participants in keeping with the market conditions prevailing in the respective currency and company. In addition to these highly short-term loans, Group companies also have access to Group loans.

KEY FINANCIAL INSTRUMENTS AT DECEMBER 31,2020

	Amount in €/USD million	Due	Interest rate as a %
Promissory note (Schuldschein) 2017 in EUR m	125.0	2022	0.69
Promissory note (Schuldschein) 2018 in USD m (Tranche I)	77.5	2023	3.97
Promissory note (Schuldschein) 2018 in USD m (Tranche II)	22.5	2025	4.26
Promissory note (Schuldschein) 2019 in EUR m (Tranche I)	70.0	2024	0.65
Promissory note (Schuldschein) 2019 in EUR m (Tranche II)	80.0	2026	0.99
Promissory note (Schuldschein) 2020 in EUR m	50.0	2023	1.20
Short-term borrowings from banks in EUR m	9.2	n/a	variable

Reduction in net working capital results in record figures for cash flow from operating activities and free cash flow
Cash flow from operating activities reached EUR 405.0 million in 2020, which is a new record high for the company (2019: EUR -20.9 million). This is primarily attributable to a significant reduction in net working capital. In the previous year, a sharp rise in net working capital resulted in a clearly negative cash flow from operating activities. → Page 36

Discounting investments in net working capital, cash flow from operating activities amounted to EUR 182.9 million (2019: EUR 157.3 million). A reduction in Group rental inventory and the change of other assets had a positive effect compared to the previous year.

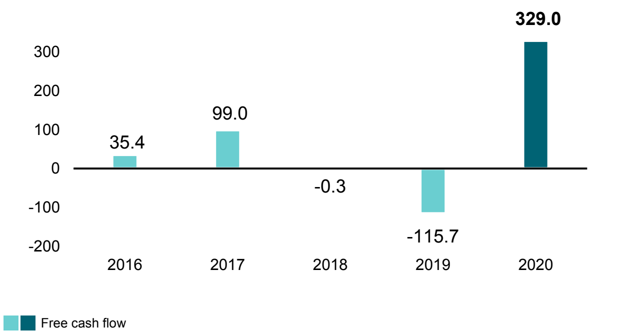
At EUR -76.0 million, cash flow from investment activities was below the prior-year figure (2019: EUR -94.8 million). Given the high levels of uncertainty, the Executive Board re-evaluated all planned investments and – wherever possible and advisable – postponed these in order to further secure liquidity. Investments in property, plant and equipment included investments to expand production and logistics at the plants in Korbach and Pfullendorf. Investments in intangible assets primarily comprised capitalization of development activities and IT projects.

Free cash flow corresponds to cash flow from operating activities plus cash flow from investment activities. In fiscal 2020, free cash flow amounted to EUR 329.0 million as a result of the aforementioned factors (2019: EUR -115.7 million). Cash flow from financing activities for 2020 amounted to EUR -91.6 million (2019: EUR 117.9 million). This figure was shaped in particular by the repayment of current liabilities. In light of the continued overall economic uncertainty resulting from the COVID-19 pandemic, Wacker Neuson SE had initially placed a promissory note (Schuldschein) in the amount of EUR 50 million in August but used the resulting funds and a portion of cash flow from operating activities to repay short-term lines of credit.

Suspending the dividend for fiscal 2019 also had a positive effect relative to the previous year. The Executive Board and Supervisory Board had initially proposed paying out EUR 0.60 per share, which would have amounted to a total payout of EUR 42.1 million. The dividend payout in the previous year amounted to EUR 77.2 million. This was due to an additional special dividend payout made in conjunction with the sale of a Group real-estate company.

Refer to item 32, “Cash flow statement”, in the Notes to the Consolidated Financial Statements for further information.

FREE CASH FLOW 2016–2020[1]
IN € MILLION

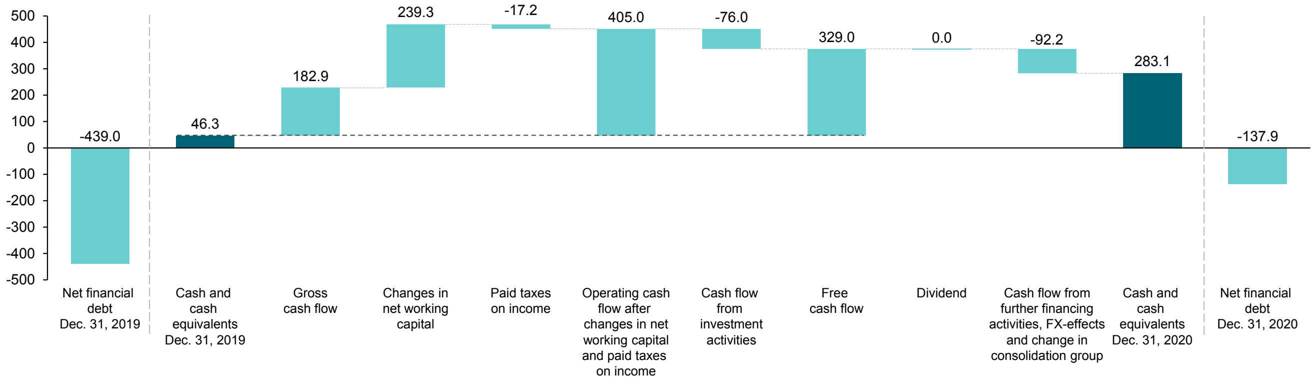


[1] Refer to item 32 in the Notes to the Consolidated Financial Statements for further information about the cash flow statement.

DEVELOPMENT OF CASHFLOW
IN € MILLION

	2020	2019	2018	2017	2016
Cash flow from operating activities	**405.0**	**-20.9**	**-15.5**	**138.0**	**79.4**
Purchase of property, plant and equipment	-48.0	-50.5	-37.3	-29.5	-32.3
Purchase of intangible assets	-38.9	-38.7	-36.0	-17.9	-16.2
Purchase of investments	-0.6	-9.3	–	–	–
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	9.5	3.7	28.5	8.4	4.5
Proceeds from the sale of a real-estate company	–	–	60.0	–	–
Proceeds from disposals from the consolidation group	2.0	–	–	–	–
Cash flow from investment activities	**-76.0**	**-94.8**	**15.2**	**-39.0**	**-44.0**
Free cash flow	**329.0**	**-115.7**	**-0.3**	**99.0**	**35.4**

LIQUIDITY SITUATION
IN € MILLION



Cash flow in 2020 was shaped in particular by the reduction in net working capital. Suspending the dividend also had a positive impact here as a means of securing liquidity during the coronavirus crisis. The Group reported liquid funds to the value of EUR 283.1 million at December 31, 2020 (2019: EUR 46.3 million). Net financial debt fell to EUR 137.9 million (2019: EUR 439.0 million).

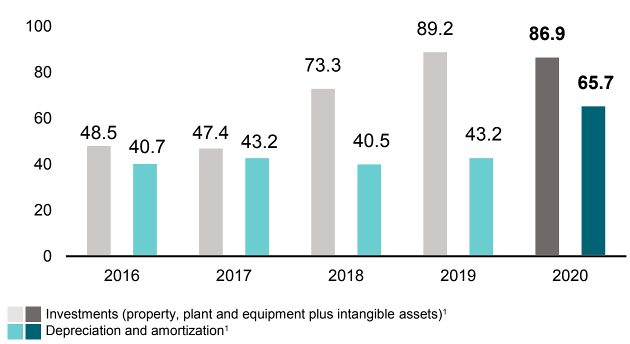
Liquidity situation
The Wacker Neuson Group was able to meet liquidity needs in 2020 through a combination of credit lines provided by banks, cash flow from operating activities and the new promissory note (Schuldschein). For further details on the terms and conditions of credit lines, refer to item 21, “Long- and short-term financial liabilities”, in the Notes to the Consolidated Financial Statements.

In light of the exceptionally high levels of uncertainty related to the development of the coronavirus crisis, the Group increased its reserves of cash and cash equivalents as a precautionary measure. The Group reported liquid funds to the value of EUR 283.1 million at December 31, 2020 (2019: EUR 46.3 million). These funds are held by Wacker Neuson SE and affiliates that cannot participate in the existing cash pool structures for legal reasons. The Wacker Neuson Group continues its efforts to improve this situation within the limits of what is legally possible.

Net financial debt expressed as a ratio of EBITDA amounted to 0.7 at the closing date (2019: 1.7), which underscores the Group’s strong financial position.

Forward-looking investments in future growth
The Wacker Neuson Group again made investments in its future growth during fiscal 2020. Investments in property, plant and equipment and in intangible assets amounted to EUR 86.9 million (2019: EUR 89.2 million; adjusted for the effects of IFRS 16). Investments in property, plant and equipment (investment volume: EUR 48.0 million; 2019: EUR 50.5 million) included investments to expand production and logistics at the plants in Korbach and Pfullendorf. Investments in intangible assets (investment volume: EUR 38.9 million; 2019: EUR 38.7 million) covered mainly capitalization of development activities and IT projects. Investments in the Group’s rental equipment are not included in investments in property, plant and equipment (these are disclosed under current assets). Investments in the Group’s rental equipment amounted to EUR 80.0 million in 2020 (2019: EUR 89.7 million).

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND IN INTANGIBLE ASSETS AND WRITE-DOWNS 2016–2020[1]
IN € MILLION

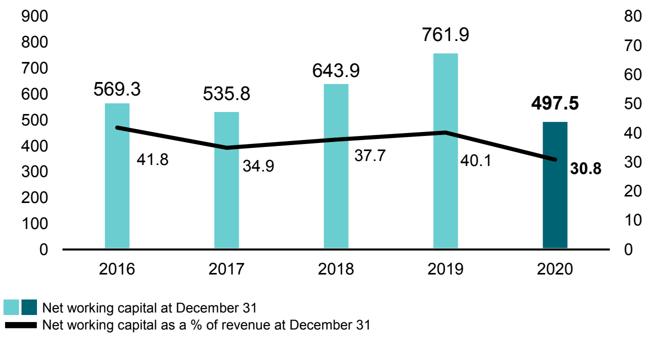


- The Group invested EUR 86.9 million in property, plant and equipment and in intangible assets in 2020 (2019: EUR 89.2 million), of which EUR 48.0 million was channeled into property, plant and equipment (2019: EUR 50.5 million) and EUR 38.9 million into intangible assets (2019: EUR 38.7 million).
- Group investments were again much higher than write-downs in 2020, underscoring the long-term growth strategy.

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

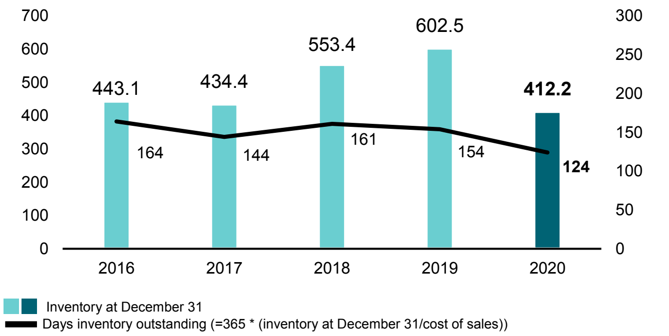
NET WORKING CAPITAL 2016–2020

IN € MILLION AS A %



INVENTORY AND DAYS INVENTORY OUTSTANDING 2016–2020

IN € MILLION IN DAYS



Net working capital was reduced significantly in 2020. Net working capital expressed as a percentage of revenue decreased to 30.8 percent (2019: 40.1 percent). This is primarily attributable to the sharp drop in inventory and a reduction in trade receivables. As part of its Strategy 2022 initiative, the Group aims to reduce net working capital expressed as a percentage of revenue to 30 percent or less.

Significant reduction in net working capital

Targeted inventory management is crucial for ensuring that the Group can meet the needs of global markets. The company needs to maintain higher stock levels due to the many different product parts and model versions it now manages as a result, in part, of the amended emissions legislation governing construction equipment. Furthermore, Wacker Neuson distributes its products in Europe via its own affiliates with numerous sales and service stations. This results in some cases in higher inventory levels of finished products than those held by competitors who primarily sell their products to end customers via dealers. In fiscal 2020, net working capital for the Group fell markedly to EUR 497.5 million (2019: EUR 761.9 million). Despite the drop in revenue, net working capital expressed as a percentage of revenue for the year fell to 30.8 percent (2019: 40.1 percent).

Due to the sharp drop in demand triggered by the spread of the COVID-19 pandemic coupled with interruptions to the supply chain, the Group significantly scaled back the production programs originally planned. Despite the accompanying drop in revenue, inventory dropped by 31.6 percent to EUR 412.2 million (2019: EUR 602.5 million). Days inventory outstanding fell from 154 to 124 days.[1] Inventory levels for the previous year were bolstered significantly by a rise in production output and a buildup of pre-buy engines related to the new EU Stage V emissions regulation coming into force.

In recent years, the Group has made extensive adjustments to its planning processes and underlying IT systems in order to reduce days inventory outstanding to below 125 days in the long term. The rollout of SAP IBP (Integrated Business Planning) was a key milestone here that is gradually allowing an integrated approach to sales and production planning to be expanded to all operative companies across the Group. In the first step, the module for sales, revenue, inventory and budget planning went live at the start of the second half of 2020. In the second step, rollout of the module for supply and operations planning started in the fourth quarter of 2020. This will enable Group-wide production planning processes to be directly aligned with sales planning activities. The module was initially rolled out at the pilot plant in Pfullendorf.

In light of the scaled back production programs and low purchasing volumes, trade payables decreased relative to the previous year by 8.5 percent to EUR 137.1 million (2019: EUR 149.9 million). Nevertheless, days payables outstanding rose to 41 days due to the sharp decrease in cost of sales (2019: 38 days).[2]

DEVELOPMENT OF NET WORKING CAPITAL AND ITS COMPONENTS

IN € MILLION

	2020	2019	2018	2017	2016
Inventory at Dec. 31	412.2	602.5	553.4	434.4	443.1
Days inventory outstanding	124	154	161	144	164
Trade receivables at Dec. 31	222.4	309.3	303.3	235.1	213.8
Days sales outstanding	50	59	65	56	57
Trade payables at Dec. 31	137.1	149.9	212.8	133.7	87.6
Days payables outstanding	41	38	62	44	32
Net working capital at Dec. 31	497.5	761.9	643.9	535.8	569.3
Net working capital as a % of revenue	30.8	40.1	37.7	34.9	41.8

[1] Note on calculation: Inventory at December 31 / cost of sales * 365 days.

[2] Note on calculation: Trade payables at December 31 / cost of sales * 365 days.

Trade receivables fell sharply to EUR 222.4 million at the close of the year as a result of the reduced volume of business (2019: EUR 309.3 million). Days sales outstanding[1] decreased to 50 days (2019: 59 days). In addition to the downturn in revenue, the initial effects of an asset-backed securities (ABS) program concluded with an external partner geared towards gaining new dealers and thus winning additional market shares in the key growth market of North America contributed to this decrease. Existing receivables were transferred in part to the ABS program, whereby credit risks were transferred for the most part to the receivables purchaser in line with the terms of the agreement. The remaining credit risk is managed under a loss pool agreement.

A correction was made to the trade receivables recognized for fiscal 2019. Non-current receivables with a due date of more than one year had been reported under current assets in some cases. Refer to item 11 in the Notes to the Consolidated Financial Statements for further information.

Return on capital employed

Capital employed decreased to EUR 1,396.7 million (2019: EUR 1,699.2 million). This is primarily attributable to the sharp drop in net working capital (EUR -264.4 million). Return on capital employed before tax (ROCE I) fell from 9.0 percent in 2019 to 5.4 percent in 2020. Return on capital employed after tax (ROCE II) amounted to 1.4 percent and was thus much lower than the prior-year figure (2019: 5.8 percent). Information on ROCE is based on capital employed at the December 31 closing date.

[1] Note on calculation: Trade receivables at December 31 / revenue * 365 days.

CALCULATING ROCE I AND II

IN € MILLION

	2020	2019	2018	2017	2016
EBIT	**75.5**	**153.1**	**162.3**	**131.4**	**88.8**
NOPLAT = EBIT – (EBIT x Group tax rate)	**19.8**	**98.5**	**115.6**	**91.7**	**62.4**
Non-current assets	**971.2**	**1,023.9**	**838.1**	**759.2**	**773.0**
Long-term financial assets	-109.7	-144.7	-91.5	-35.6	-24.5
Long-term contract liabilities[1]	-5.0	-3.9	–	–	–
Deferred tax liabilities	-43.9	-36.8	-34.6	-32.5	-30.8
Assets used in business	**812.6**	**838.5**	**712.0**	**691.1**	**717.7**
Current assets	**1,155.6**	**1,172.7**	**1,076.1**	**862.5**	**807.8**
Other short-term financial assets	-45.5	-23.6	-16.2	-11.3	-2.5
Cash and cash equivalents	-283.1	-46.3	-43.8	-27.3	-17.6
Trade payables	-137.1	-149.9	-212.8	-133.7	-87.6
Short-term provisions	-19.0	-17.6	-15.7	-16.9	-15.7
Current tax payables	-32.8	-19.0	-29.2	-1.0	-1.8
Other current non-financial liabilities	-48.9	-50.1	-47.3	-60.9	-44.7
Short-term contract liabilities	-5.1	-5.5	-6.9	–	–
Net working capital in a broader sense	**584.1**	**860.7**	**704.2**	**611.4**	**637.9**
Capital employed	**1,396.7**	**1,699.2**	**1,416.2**	**1,302.5**	**1,355.6**
Average capital employed	1,548.0	1,557.7	1,359.4	1,329.1	1,343.1
Derivation via equity and liabilities					
Equity	1,218.1	1,225.0	1,221.4	1,113.7	1,092.5
Long-term financial borrowings	411.6	372.4	214.7	156.1	30.0
Long-term lease liabilities	57.1	66.9	2.6	–	–
Provisions for pensions and similar obligations	64.8	61.8	52.3	–	–
Long-term provisions	9.8	7.9	5.9	59.1	54.3
Short-term borrowings from banks	9.2	112.4	33.8	20.3	190.5
Current portion of long-term borrowings	0.2	0.5	–	0.6	2.9
Short-term lease liabilities	25.7	25.2	1.4	–	–
Other short-term financial liabilities	38.5	41.7	35.6	26.9	30.0
Long-term financial assets	-109.7	-144.7	-91.5	-35.6	-24.5
Cash and cash equivalents	-283.1	-46.3	-43.8	-27.3	-17.6
Other short-term financial assets	-45.5	-23.6	-16.2	-11.3	-2.5
Capital employed	**1,396.7**	**1,699.2**	**1,416.2**	**1,302.5**	**1,355.6**
Capital employed as a % of revenue	86.5%	89.4%	82.8%	84.9%	99.6%
Average capital employed as a % of revenue	95.8%	81.9%	79.5%	86.6%	98.7%
ROCE I	**5.4%**	**9.0%**	**11.5%**	**10.1%**	**6.6%**
(EBIT/capital employed)					
ROCE I	**4.9%**	**9.8%**	**11.9%**	**9.9%**	**6.6%**
(EBIT/average capital employed)					
ROCE II	**1.4%**	**5.8%**	**8.2%**	**7.0%**	**4.6%**
(NOPLAT/capital employed)					
ROCE II	**1.3%**	**6.3%**	**8.5%**	**6.9%**	**4.6%**
(NOPLAT/average capital employed)					

[1] As of 2020 shown as a separate line in the balance sheet, the year 2019 was adjusted accordingly.

Assets

- Long-term financial basis strengthened, equity ratio increased
- Expansion of liquid funds as a precautionary measure

In fiscal 2020, the balance sheet total of the Wacker Neuson Group decreased slightly to EUR 2,126.8 million (2019: EUR 2,196.6 million). This was primarily attributable to a reduction in net working capital and the repayment of financial liabilities. Gearing fell significantly and reached its lowest level in nine years. At the same time, the equity ratio increased.

Non-current assets

At the end of the reporting period, non-current assets amounted to EUR 971.2 million (2019: EUR 1,023.9 million). Property, plant and equipment fell slightly relative to the prior year's closing date and amounted to EUR 391.6 million at the close of the year (2019: EUR 400.3 million). Impairment losses in the amount of EUR 5.2 million contributed to this drop. Other intangible assets were higher than the previous year at EUR 178.9 million (2019: EUR 165.9 million) despite impairment losses in the amount of EUR 6.5 million. This rise was primarily attributable to the capitalization of development activities and IT projects. In contrast, goodwill decreased to EUR 228.6 million (2019: EUR 237.8 million). This is due to the impairment of goodwill attributed to the US subgroup (refer to → Profit, page 31). In addition to this, minority shareholdings were re-assessed in conjunction with a change in the business outlook (shareholdings at December 31, 2020: EUR 6.8 million; December 31, 2019: EUR 11.5 million).

Non-current financial assets amounted to EUR 109.7 million at the closing date and were thus lower than the prior-year figure of EUR 144.7 million. The downturn is attributable to a fall in revenue and the loss allowances mentioned above as well as the initial effects of the asset-backed securities (ABS) program concluded with an external partner geared towards gaining new dealers and thus winning additional market shares in the key North American growth market. Existing receivables were transferred in part to the ABS program, whereby credit risks were transferred for the most part to the receivables purchaser in line with the terms of the agreement. The remaining credit risk is managed under a loss pool agreement.

A correction was made for fiscal 2019. Non-current receivables with a due date of more than one year had been reported under current assets in some cases. Refer to item 11 in the Notes to the Consolidated Financial Statements for further information.

Current assets

Current assets decreased to EUR 1,155.6 million in fiscal 2020 (2019: EUR 1,172.7 million). This was primarily due to a reduction in inventory levels and trade receivables (refer to → Development of net working capital, page 36). The Group's rental equipment was at EUR 159.5 million and was thus also below the previous year (2019: EUR 166.1 million). At the end of the year, cash and cash equivalents amounted to EUR 283.1 million (2019: EUR 46.3 million). This increase was the result of a marked rise in free cash flow as well as the suspension of the dividend payout for fiscal 2019 to strengthen the financial position and resilience of the Group in light of the unpredictability of the COVID-19 pandemic ramifications.

Marked reduction in gearing

The Group reported a marked drop in net financial debt in the period under review. At EUR 137.9 million, it reached its lowest point in nine years (2019: EUR 439.0 million). Gearing improved to 11.3 percent (2019: 35.8 percent). The definition of net financial debt as applied by Wacker Neuson SE does not include lease liabilities in accordance with IFRS 16.

Non-current liabilities

Non-current liabilities increased to EUR 592.2 million in 2020 (2019: EUR 549.7 million). This was attributable to the placement of a promissory note (Schuldschein) in the amount of EUR 50 million, which the Group used to repay current liabilities. Non-current financial liabilities amounted to EUR 411.6 million at the closing date (2019: EUR 372.4 million).

Deferred tax liabilities amounted to EUR 43.9 million at December 31, 2020 (2019: EUR 36.8 million). The increase was primarily attributable to capitalized R&D and IT costs. In contrast, long-term lease liabilities decreased to EUR 57.1 million (2019: EUR 66.9 million). This was due, among other things, to the consolidation of logistics sites in the US and reclassification of long-term lease liabilities as short-term positions.

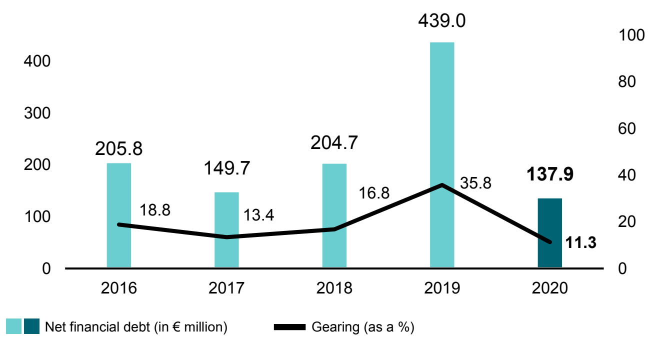
Provisions for pensions and similar obligations came to EUR 64.8 million at the closing date (2019: EUR 61.8 million). Refer to item 19 in the Notes to the Consolidated Financial Statements for further information on provisions for pensions.

NET FINANCIAL DEBT
IN € MILLION

	2020	2019	2018	2017	2016
Long-term financial borrowings	411.6	372.4	214.7	156.1	30.0
Short-term liabilities to financial institutions	9.2	112.4	33.8	20.3	190.5
Current portion of long-term borrowings	0.2	0.5	–	0.6	2.9
Cash and cash equivalents	283.1	46.3	43.8	27.3	17.6
Net financial debt	**137.9**	**439.0**	**204.7**	**149.7**	**205.8**

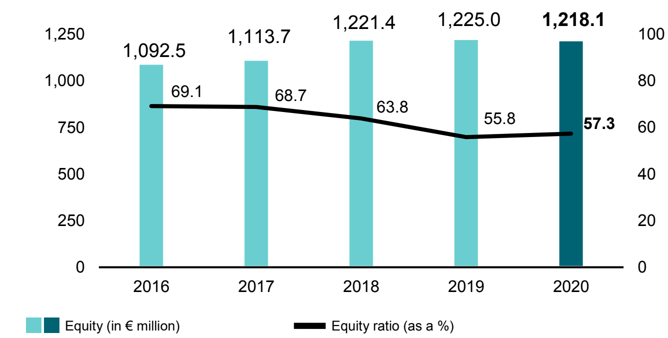
NET FINANCIAL DEBT AND GEARING 2016–2020

IN € MILLION AS A %



EQUITY AND EQUITY RATIO 2016–2020

IN € MILLION AS A %



Despite the decreased volume of business, net financial debt contracted significantly in 2020. Gearing improved to 11.3 percent (2019: 35.8 percent), reaching its lowest level since fiscal 2011. The equity ratio rose to 57.3 percent (2019: 55.8 percent).

Current liabilities

Total current liabilities decreased sharply in the period under review and amounted to EUR 316.5 million at December 31 (2019: EUR 421.9 million). This was due to the repayment of short-term borrowings from banks. Trade payables also decreased (→ Development of net working capital, page 36) to EUR 137.1 million (2019: EUR 149.9 million). In contrast, income tax liabilities increased sharply from EUR 19.0 million to EUR 32.8 million. This is attributable to tax deferral options that the Group availed of under government coronavirus relief programs. At EUR 25.7 million, short-term lease liabilities were at the same level as the previous year (2019: EUR 25.2 million).

Long-term financial structure strengthened

At the close of 2020, the Group's financial structure was significantly more long term than at the close of 2019. In 2020, the share of current liabilities fell to 34.8 percent (2019: 43.4 percent) while the share of long-term borrowings rose to 65.2 percent (2019: 56.6 percent).

Equity ratio above previous year's level

Group equity fell slightly to EUR 1,218.1 million during the period under review (2019: EUR 1,225.0 million). The Group utilized the positive development of free cash flow to repay current liabilities, among other things, which caused the equity ratio to increase to 57.3 percent (2019: 55.8 percent). Suspending the dividend payout for fiscal 2019 also had a positive effect. The company's share capital remained unchanged at EUR 70.14 million.

Financial structure

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

Off-balance-sheet assets and financial instruments

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

Judgments and estimates

Information about the use of estimates, assumptions and judgments made – especially in connection with the valuation of property, plant and equipment, intangible assets, goodwill, and expenses relating to R&D and shareholdings – with regard to receivables, pension liabilities, provisions, contingencies and information about tax expenses is presented in the Notes to the Consolidated Financial Statements under → Material discretionary decisions, estimates and assumptions, page 101

Developments in Q4 2020 (unaudited)[1]

Development of revenue and profit (unaudited)

Group revenue for the fourth quarter of 2020 amounted to EUR 428.0 million (Q4/2019: EUR 480.3 million). This decrease of 10.9 percent was much less pronounced than in the two previous quarters. In several European countries in particular, initial signs of recovery from the third quarter continued into Q4. In North America, however, the effects of the coronavirus crisis continued to impact the development of business in the region.

Gross profit amounted to EUR 97.4 million (Q4/2019: EUR 107.2 million). This corresponds to a gross profit margin of 22.8 percent (Q4/2019: 22.3 percent). At EUR 2.3 million, profit before interest and tax (EBIT) was significantly lower than the prior-year figure (Q4/2019: EUR 25.7 million), impacted by value adjustments in connection with allowances for doubtful receivables and additional impairment losses on assets. Profit was also impacted by one-off costs related to the program to reduce costs and increase efficiency, which was approved in January 2020. The EBIT margin was at 0.5 percent for the fourth quarter (Q4/2019: 5.4 percent). Profit for the quarter amounted to EUR -19.7 million (Q4/2019: EUR 8.4 million).

Regional developments (unaudited)

Revenue for Q4 in Europe remained at the same level as the previous year (Q4/2020: EUR 348.3 million; Q4/2019: EUR 348.9 million). Before consolidation, EBIT amounted to EUR 20.7 million (Q4/2019: EUR 21.5 million).

At -45.6 percent, revenue in the Americas was again markedly below the prior-year figure. In the prior-year quarter, revenue was bolstered by selling off equipment to reduce inventory levels, among other things (Q4/2020: EUR 61.1 million; Q4/2019: EUR 112.4 million). EBIT[2] amounted to EUR -30.2 million (Q4/2019: EUR -9.5 million) and was clearly impacted by value adjustments in connection with the above-mentioned allowances for doubtful receivables and additional impairment losses on assets.

Revenue for Asia-Pacific amounted to EUR 18.6 million in the fourth quarter and was thus slightly lower than the previous year (Q4/2019: EUR 19.0 million). Segment EBIT[2] totaled EUR -0.6 million (Q4/2019: EUR 0.5 million).

For further information, refer to → Segment reporting by region, page 46

Segment reporting by business segment (unaudited)

Revenue generated by light equipment in Q4 fell 21.0 percent to EUR 87.8 million (Q4/2019: EUR 111.1 million). Revenue from compact equipment contracted by 10.1 percent to EUR 239.4 million (Q4/2019: EUR 266.4 million).[3] This figure includes revenue generated with the Group brands Weidemann and Kramer in the agricultural sector, which increased slightly to EUR 87.0 million in the final quarter (Q4/2019: EUR 85.4 million).

The services segment also had a stabilizing effect here. Segment revenue[3] amounted to EUR 105.0 million (Q4/2019: EUR 107.2 million), which is a decrease of just 2.1 percent.

For further information, refer to → Segment reporting by business segment, page 49

Free cash flow continues to develop positively in Q4 (unaudited)

Due to the Group's continued efforts to significantly reduce inventory as well as a drop in trade receivables and the subsequent reduction in net working capital, free cash flow for the fourth quarter was again much higher than the prior-year level at EUR 149.6 million (Q4/2019: EUR 84.3 million).

DEVELOPMENT IN Q4

IN € MILLION

	Q4/2020	Q4/2019
Indicator		
Revenue	428.0	480.3
Gross profit	97.4	107.2
Gross profit margin as a %	22.8	22.3
EBIT	2.3	25.7
EBIT margin as a %	0.5	5.4
Profit for the period	-19.7	8.4
EPS (in €)	-0.28	0.12
Revenue by region		
Europe	348.3	348.9
Americas	61.1	112.4
Asia-Pacific	18.6	19.0
EBIT by region[1]		
Europe	20.7	21.5
Americas	-30.2	-9.5
Asia-Pacific	-0.6	0.5
Revenue by business segment[2]		
Light equipment	87.8	111.1
Compact equipment	239.4	266.4
Services	105.0	107.2
Cash flow		
Changes in net working capital	86.8	111.5
Cash flow from operating activities	173.0	119.6
Cash flow from investment activities	-23.4	-35.3
Investments (property, plant and equipment and intangible assets)	-30.0	-36.5
Free cash flow	149.6	84.3
Cash flow from financing activities	-24.6	-61.3

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

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

[3] Before cash discounts.

General overview of economic situation

The Wacker Neuson Group reported significant revenue losses in fiscal 2020 due to the effects of the coronavirus pandemic. The protective measures implemented by many countries, institutions and companies interrupted construction activity and supply chains, particularly during the first half of the year. Widespread lockdowns and major uncertainties about how the pandemic would evolve had a markedly negative impact on customers' investment behavior and also the Wacker Neuson Group's business situation.

The Group also reported a sharp drop in earnings. In addition to the marked decline in revenue, value adjustments in connection with allowances for doubtful receivables, the impairment of goodwill attributed to the US subgroup and additional impairment losses on assets all negatively affected the development of earnings. One-off costs related to the program to reduce costs and increase efficiency, which was approved in January 2020, were also incurred. At the same time, however, the Group was able to mitigate some of the negative effects on earnings by rapidly implementing measures in response to the sharp drop in demand. These included extended vacation periods using up hours in flextime accounts, various short-time working models and a significant reduction in operating costs.

Fueled by a sharp drop in net working capital, the Group reported a new record figure for free cash flow. The Group utilized this positive development to repay current liabilities, among other things. Suspension of the dividend payout for fiscal 2019 also had a positive effect on the financial structure. The equity ratio increased to 57.3 percent (2019: 55.8 percent). Gearing improved to 11.3 percent, which is its lowest level in nine years (2019: 35.8 percent). In light of its secure liquidity situation, the Group was able to meet all of its financial obligations in 2020.

The company wishes for its shareholders to continue to share in its success. The Group did not pay a dividend in fiscal 2020 in light of the unpredictable effects of the COVID-19 pandemic. In future, however, the Executive Board plans to again propose dividend payouts to its shareholders, provided its forecasts prove accurate.

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 HGB and AktG. For fiscal 2020, 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 2020. Here it should be noted that the company operates as a management and holding company, which offers a range of Group services, in particular in the areas of marketing, human resources, information technology, finance services, corporate real-estate management and indirect procurement.

The corporate purpose of Wacker Neuson SE is holding and managing participating interests 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 holding is responsible for strategic functions of Group management. The Group Executive Board plus the following central, Group-wide departments are vested with the holding company: Group controlling, Group accounting, Group treasury, legal (including patent management), internal auditing, compliance, real estate, strategy, mergers and acquisitions, investor relations, sustainability, corporate communication, corporate IT, corporate marketing, process consulting, sales development and controlling, sales financing, corporate taxes and corporate human resources. The company employed 234 people on average in fiscal 2020 (2019: 230).

In its capacity as a management and functional holding, the company also delivers administrative, financial, commercial and technical services to 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 Annual Financial Statements were prepared in accordance with the HGB, in the version applicable at the balance sheet date. The income statement is prepared according to the cost-of-sales method.

Revenue for 2020 amounted to EUR 41.6 million (2019: EUR 42.3 million). This was generated through the provision of services by Wacker Neuson SE to its affiliates. The services delivered mainly comprise EUR 15.1 million in IT services (2019: EUR 15.0 million), EUR 13.6 million in management services (2019: EUR 14.4 million), EUR 3.8 million in marketing services (2019: EUR 4.2 million), expenses related to the Wacker Neuson Training Center in the amount of EUR 2.5 million (2019: EUR 2.7 million) as well as other sales and administration services in the amount of EUR 4.0 million (2019: EUR 4.4 million). The figure also includes rental income in the amount of EUR 1.8 million from the letting of premises in Munich to the affiliates based there and to an external tenant (2019: EUR 1.6 million).

Breaking revenue down by region, EUR 36.9 million can be attributed to Europe (2019: EUR 36.2 million), EUR 3.9 million to the Americas (2019: EUR 5.5 million) and EUR 0.8 million to Asia-Pacific (2019: EUR 0.6 million).

Cost of sales amounted to EUR 39.0 million (2019: EUR 39.9 million) and gross profit came to EUR 2.6 million (2019: EUR 2.4 million).

INCOME STATEMENT FOR WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	2020	2019
Revenue	41.6	42.3
Cost of sales	-39.0	-39.9
Gross profit	**2.6**	**2.4**
General and administrative expenses	-48.8	-48.7
Other income	27.4	24.1
Other expenses	-22.8	-7.2
Income from participating interests	–	69.7
Income from profit transfer agreements	40.0	41.9
EBIT	**-1.6**	**82.2**
Interest and similar income	20.4	23.4
Write-ups on financial assets	1.1	3.9
Write-downs on financial assets	-33.9	-24.1
Interest and similar expenses	-7.3	-8.2
Taxes on income and earnings	-16.5	-14.0
Profit after tax	**-37.8**	**63.2**
Other taxes	-0.1	-0.1
Net profit/loss	**-37.9**	**63.1**
Profit/loss carried forward	242.3	179.2
Retained earnings	**204.4**	**242.3**

General administrative expenses amounted to EUR 48.8 million in fiscal 2020 (2019: EUR 48.7 million).

Other income came to EUR 27.4 million (2019: EUR 24.1 million). This figure primarily includes income from allocations from IT and marketing services rendered by affiliates in the amount of EUR 11.8 million (2019: EUR 16.7 million), foreign exchange gains in the amount of EUR 14.3 million (2019: EUR 5.1 million), income from the appreciation of value-adjusted receivables amounting to EUR 0.0 million (2019: EUR 1.1 million) as well as income from the release of provisions from the previous year amounting to EUR 0.2 million (2019: EUR 0.4 million). The fall in income from allocations resulting from services rendered by affiliates in the fields of IT and marketing stems primarily from the increased profit-neutral transfer of trade fair costs in 2019 in connection with a sizeable trade fair which is held every 3 years. The change in foreign exchange gains is directly attributable to an increase in liquid funds held in foreign currencies.

Other expenses amounted to EUR 22.8 million in fiscal 2020 (2019: EUR 7.2 million). This figure mainly comprises foreign exchange losses in the amount of EUR 22.5 million (2019: EUR 6.6 million), which are related to long-term and internal Group borrowings and receivables from affiliated companies.

Wacker Neuson SE is dependent on the performance of its participating interests and the profit that they yield. In 2020, Wacker Neuson SE did not collect any dividends from the Group (2019: EUR 69.7 million). The payout of affiliate dividends was suspended in 2020 in light of the unpredictability of the COVID-19 pandemic ramifications. This decision was made to strengthen the financial position and resilience of the affiliates.

Income from shareholdings in companies (dividends plus proceeds from the profit transfer agreement) amounted to EUR 40.0 million (2019: EUR 111.6 million). The income from the profit transfer agreement stems from agreements concluded with affiliates.

Wacker Neuson SE realized profit before interest and tax (EBIT) of EUR -1.6 million (2019: EUR 82.2 million). Profit after tax is negative at EUR -37.8 million. This is due to the effects related to dividend payouts described above (2019: EUR +63.2 million). As a result, the Group reported an operating loss for the period in the amount of EUR 37.9 million (2019: profit for the period of EUR 63.1 million).

Assets and financials

Group software licenses, primarily for the ERP (Enterprise Resource Planning) system as well as for the operating systems and office applications deployed across the Group are capitalized at Wacker Neuson SE. The holding company provides Group members with these licenses in return for a fee. Wacker Neuson SE reported intangible assets of EUR 13.1 million at December 31, 2020 for licenses and similar rights (2019: EUR 16.6 million). This drop is primarily attributable to a significantly lower investment volume compared with the previous year.

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 28.0 million at December 31, 2020 (2019: EUR 29.5 million).

Financial assets are comprised of holdings in Group members amounting to EUR 593.6 million (2019: EUR 619.0 million), loans to affiliated companies in the amount of EUR 71.8 million (2019: EUR 76.4 million) and participating interests amounting to EUR 3.0 million (2019: EUR 3.0 million). The change in holdings in affiliated companies resulted from capital increases of EUR 4.6 million (2019: EUR 12.9 million), a debt-to-equity swap in the amount of EUR 4.4 million, disposals of shareholdings in the amount of EUR 1.7 million (2019: EUR 0.0 million) and one-off impairment losses in line with Section 253 (3) sentence 4 HGB in the amount of EUR 29.1 million (2019: EUR 19.1 million) as well as write-ups in the amount of EUR 0.8 million (2019: EUR 3.9 million). The drop in loans is attributable to netted negative exchange rate effects in the amount of EUR 4.8 million and, moving in the opposite direction, the reversal of loss adjustments on loans in the amount of EUR 0.3 million.

Total assets attributable to Wacker Neuson SE amounted to EUR 709.5 million at the closing date (2019: EUR 744.5 million).

Trade receivables due from customers and sales partners within Germany and beyond also accrue almost entirely to the operational companies. Receivables from affiliated companies decreased to EUR 398.3 million (2019: EUR 584.3 million). This was primarily due to the repayment of short-term loans by affiliates. Wacker Neuson SE receivables are mainly related to its shareholdings in Group members, in particular resulting from short-term borrowings and receivables within the framework of the cash pool. Wacker Neuson SE reported liquid funds of EUR 296.3 million at December 31, 2020 (2019: EUR 138.5 million).

Total current assets amounted to EUR 699.7 million at the closing date (2019: EUR 725.1 million). The balance sheet total came to EUR 1,415.8 million (2019: EUR 1,475.6 million).

At December 31, 2020, the company's equity amounted to EUR 941.3 million (2019: EUR 979.2 million). Wacker Neuson SE's share capital remained stable at EUR 70.14 million. This refers to 70,140,000 registered shares, each representing a proportionate amount of the share capital of EUR 1.00.

BALANCE SHEET OF WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Intangible assets	13.1	16.6
of which: licenses for industrial property rights and similar	12.9	11.7
of which: payments on account/assets	0.2	4.9
Property, plant and equipment	28.0	29.5
of which: land, land titles and buildings on third-party land	26.4	27.6
of which: office and other equipment	1.6	1.9
Financial assets	668.4	698.4
of which: shareholdings in affiliated companies	593.6	619.0
of which: loans to affiliated companies	71.8	76.4
of which: investments	3.0	3.0
Assets	**709.5**	**744.5**
Trade receivables	–	0.1
Receivables from affiliated companies	398.3	584.3
Other assets	5.1	2.2
Liquid funds	296.3	138.5
Current assets	**699.7**	**725.1**
Deferred items	**1.7**	**2.1**
Deferred tax assets	4.9	3.9
Balance sheet total (assets)	**1,415.8**	**1,475.6**
Equity	**941.3**	**979.2**
of which: subscribed capital	70.1	70.1
of which: capital reserves	584.0	584.0
of which: revenue reserves	82.8	82.8
of which: retained earnings	204.4	242.3
Special tax-free reserves	**–**	**–**
Other provisions	**48.3**	**32.9**
Liabilities	**426.2**	**463.5**
of which: borrowings from banks	347.8	446.0
of which: trade payables	2.8	4.2
of which: payables to affiliated companies	73.2	8.7
of which: other liabilities	2.4	4.6
Deferred items	**–**	**0.0**
Deferred tax liability	–	–
Balance sheet total (liabilities)	**1,415.8**	**1,475.6**

DIVIDEND TRENDS

	2021	2020	2019	2018	2017
Eligible shares (million)	70.14	70.14	70.14	70.14	70.14
Dividend per share in €[1] (in brackets: special dividend)[2]	0.60	–	0.60 (0.50)	0.60	0.50
Total payout € million	42.08	–	77.15	42.08	35.07
Payout ratio as a % of Group profit per share for previous year	300.0	–	53.4	48.0	61.7

[1] At the AGM on May 26, 2021, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2020. In 2020, shareholders approved to suspend the dividend payout for fiscal 2019 due to the unpredictability of the COVID-19 pandemic ramifications.
[2] For fiscal 2018, in addition to a dividend of EUR 0.60 per share, a special dividend of EUR 0.50 per share was distributed in connection with the extraordinary income from the sale of a Group real estate company.

Provisions amounted to EUR 48.3 million (2019: EUR 32.9 million). This change compared to the previous year is mainly attributable to higher tax provisions (EUR 8.8 million), an increase in other provisions (EUR 5.6 million) and higher pension liabilities (EUR 0.9 million). The change in tax provisions is primarily attributable to the deferral of advance payments in 2020. The rise in other provisions primarily stems from a higher provision for financial obligations resulting from the liquidation of affiliates.

Wacker Neuson SE has significant external financial liabilities as a result of the cash pools and other financing agreements with Group companies. These liabilities are managed by the holding's corporate treasury department, which is the central instance responsible for securing and managing liquidity across the Group. Borrowings from banks fell to EUR 347.8 million (2019: EUR 446.0 million). This is due to a sharp drop in refinancing requirements related to the financing of affiliates. Wacker Neuson SE includes trade payables and current liabilities from the cash pool in payables to affiliated companies. At the closing date, payables to affiliated companies amounted to EUR 73.2 million (2019: EUR 8.7 million). This rise was primarily fueled by liabilities under the cash pool as several affiliates generated credit balances in the cash pool as a result of net working capital optimizations.

Other liabilities amounted to EUR 2.4 million (2019: EUR 4.6 million). This decrease is primarily attributable to the elimination of a liability related to the creation of evaluation units (EUR -2.0 million).

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

Dividend proposal

At the AGM on May 26, 2021, the Executive Board and the Supervisory Board will propose a dividend payout of EUR 0.60 per share for fiscal 2020.

Annual Financial Statements of Wacker Neuson SE in full

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

Guidance for Wacker Neuson SE

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

Statement from the Executive Board pursuant to Section 312 AktG

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

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

The Executive Board

Segment reporting by region

- Revenue declines in all reporting regions due to COVID-19 pandemic
- Germany, Austria and Switzerland provide stable anchor in Europe
- Strong reluctance to invest among major customers

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

Europe

Mixed picture in European market
Since the European markets were not as badly impacted by the COVID-19 pandemic as the Americas region, Europe's share of revenue increased considerably during fiscal 2020 to 79.8 percent (2019: 72.5 percent). The fall in revenue was relatively modest with a decline of 6.5 percent to EUR 1,289.7 million (2019: EUR 1,379.0 million). This corresponds to a drop of 6.2 percent when adjusted for currency effects.

Extensive shutdowns had a negative impact on business in France and Spain in particular, resulting in double-digit declines in revenue. Significantly lower revenue figures were also recorded in Northern European countries and in Poland. There was more positive momentum from Germany, Austria and Switzerland, however, where the Group could leverage its particularly dense regional network of its own sales and service stations and partner dealers. Revenue gains in the services segment here helped to soften the effects of the decline in new machine sales.

In the UK, strong demand for the innovative Dual View dumper more than made up for the marked reluctance to invest among the large rental chains. This helped the Group gain market share in a strongly contracting market. Exceptionally strong growth was also recorded in Belgium and Turkey.

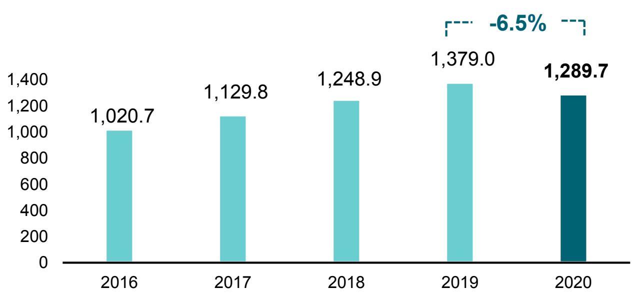
2020 REVENUE DISTRIBUTION BY REGION
AS A % (PREVIOUS YEAR)

The Group's Kramer- and Weidemann-branded agricultural equipment business also had a stabilizing effect with revenue of EUR 304.3 million, a decline of 1.9 percent (2019: EUR 310.2 million). The partnership between Group affiliate Kramer and US agricultural equipment manufacturer John Deere, which started back in 2017, continued to develop positively. Refer to → Strategic alliances, page 28

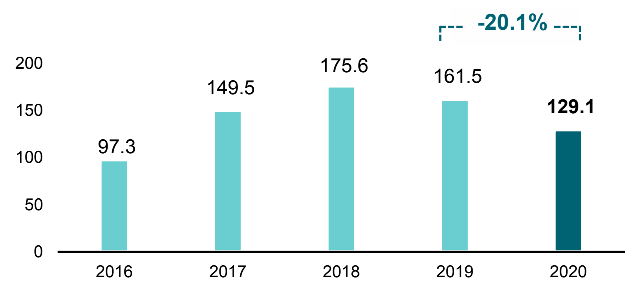
By contrast, the Group's business with key accounts suffered a double-digit drop due to reluctance to invest in the light of uncertainties caused by the COVID-19 pandemic.

Before consolidation, profit before interest and tax (EBIT) for the region fell 20.1 percent to EUR 129.1 million (2019: EUR 161.5 million). This decrease was primarily attributable to the significant decline in the business volume. There was also a reduction in internal deliveries from the European plants to other reporting regions.

REVENUE DEVELOPMENT IN EUROPE[1]
IN € MILLION



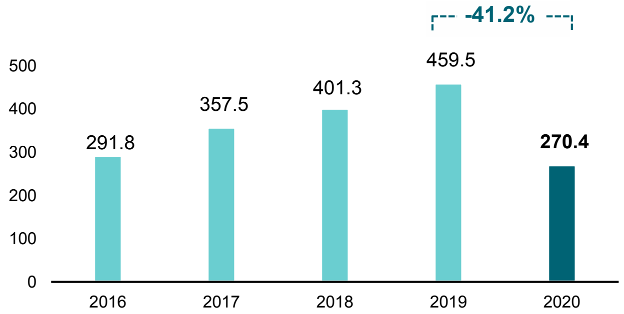
EBIT DEVELOPMENT IN EUROPE[1, 2, 3]
IN € MILLION



[1] Including South Africa, Turkey and Russia.
[2] Before consolidation.
[3] In fiscal 2019, there has been a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Figures for 2018 have been adjusted accordingly.

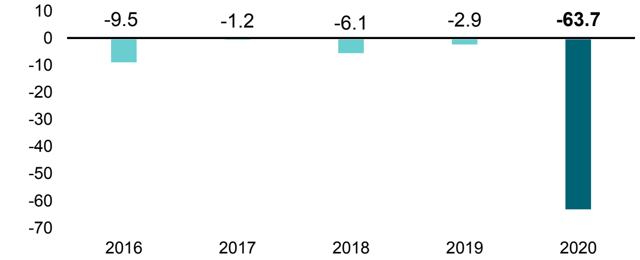
REVENUE DEVELOPMENT IN THE AMERICAS

IN € MILLION



EBIT DEVELOPMENT IN THE AMERICAS[1, 2]

IN € MILLION



[1] Before consolidation.
[2] In fiscal 2019, there has been a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Figures for 2018 have been adjusted accordingly.

Americas

COVID-19 causing huge uncertainty in US market

The Americas region has been particularly hard hit by the COVID-19 pandemic, and revenue for the region decreased in fiscal 2020 by a considerable 41.2 percent to EUR 270.4 million (2019: EUR 459.5 million). The sharp drop in revenue caused the region's share of total revenue to contract to 16.7 percent (2019: 24.2 percent). When adjusted for currency effects, revenue for the fiscal year fell 39.1 percent.

The drop was primarily attributable to a strong reluctance to invest among major customers and rental chains, who demonstrated a more pronounced scaling back than the overall market. In light of the rapid spread of the coronavirus in the second quarter, weak demand and comparatively high inventory levels, the US production site in Menomonee Falls was mostly idle from the month of April. The first production lines were gradually ramped up again towards the end of the third quarter in response to positive order intake trends.

As in previous years, the USA and Canada accounted for the largest share of revenue in the Americas region. Wacker Neuson offers its dealers flexible financing programs in those markets to further expand its dealer network. In the third quarter, the Group concluded an asset-backed securities (ABS) program with an external partner with a total value of USD 150 million geared towards gaining new dealers and thus winning larger market shares in Wacker Neuson's important growth market of North America. Existing receivables were transferred to the ABS program, with a small amount of these receivables remaining on the Wacker Neuson Group balance sheet as part of a loss pool agreement. The net result amounted to approximately USD 37 million in 2020.

In South America, the COVID-19 pandemic has further exacerbated what was already a challenging market given the local political dynamics. The sales structures in South America were clearly streamlined, reflecting the Group's program to reduce costs and increase efficiency and its increased focus on core markets. Against this backdrop, sales activities in Brazil, Chile and Peru were handed over to long-standing local partners. Dealers have also been digitally connected to the North American sales affiliate, which is now supporting dealers in the entire Americas region.

Before consolidation, profit before interest and tax (EBIT) for the Americas region amounted to EUR -63.7 million (2019: EUR -2.9 million). This includes allowances for doubtful receivables in the amount of EUR 30.8 million (2019: EUR 0.4 million), impairment of goodwill attributed to the US subgroup in the amount of EUR 9.2 million and additional impairment losses on assets.

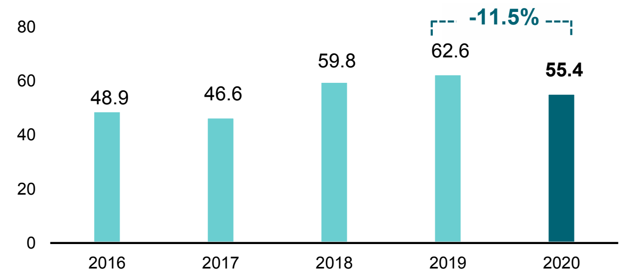
One-off expenses amounting to EUR 6.3 million were also incurred in relation to the Group's program to reduce costs and increase efficiency. This includes compensation payments and a portion of the abovementioned impairment losses on assets.

The adjustment of the sales structures in South America and the restructuring of the North American organization – including the merger of the US sales and production companies with their holding company – will help to significantly shrink the cost base in the reporting region.

With sharpened focus, reduced fixed costs and increased efficiency levels at the plant in Menomonee Falls, the Group aims to again achieve positive operating earnings (before consolidation) in the Americas region moving forward. This will be dependent on a fundamental recovery of the American construction equipment market.

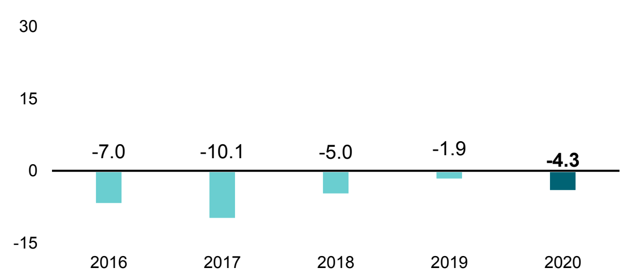
REVENUE DEVELOPMENT IN ASIA-PACIFIC

IN € MILLION



EBIT DEVELOPMENT IN ASIA-PACIFIC[1, 2]

IN € MILLION



[1] Before consolidation.
[2] In fiscal 2019, there has been a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Figures for 2018 have been adjusted accordingly.

Asia-Pacific

Rapid recovery in China and Australia

Compared with the previous year, revenue in Asia-Pacific fell 11.5 percent to EUR 55.4 million (2019: EUR 62.6 million), with the biggest share of the losses evident in the first quarter as the Chinese plant and the sales activities closed down for several weeks due to COVID-19. While the situation quickly improved in China and Australia during the following months, there was no such easing in the countries of Southeast Asia. When adjusted for currency effects, revenue fell 9.3 percent. The region's share of Group revenue rose to 3.4 percent (2019: 3.3 percent).

China and Australia were the Group's largest markets in this region again in fiscal 2020. As in the previous year, however, Wacker Neuson faced challenging market conditions with high price pressure in both of these markets. In the future, the Group plans to distribute machinery produced at the Chinese plant increasingly in export markets like Africa and South America. In the long term, the distribution of all-electric light and compact equipment also has the potential to become a growth driver in the Chinese market.

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

The Group started an OEM alliance with the construction equipment division of John Deere in 2018. Under the terms of this agreement, Wacker Neuson supplies machines in the 1.7- to 7.5-ton classes that are designed specifically for the requirements of Asian markets. In 2020, John Deere withdrew equipment in the "under 10 ton" class from the Chinese market due to challenging market dynamics. This does not affect the alliance's reach in Australia and Southeast Asian countries. The majority of machines are manufactured at the Chinese factory in Pinghu and distributed under the "Deere" brand via the John Deere dealer network. Wacker Neuson received a settlement payment of EUR 2.3 million from John Deere in 2020 to make up for the significant shortfall in target volumes.

The 2020 EBIT figure for Asia-Pacific was EUR -4.3 million (2019: EUR -1.9 million). It was influenced among other things by the extraordinary depreciation of fixed assets in the amount of EUR 3.5 million, which was also partly related to the alliance described above. This figure includes write-downs on development projects. In the previous year, the result had been positively impacted by the resolution of a legal dispute as well as government grants which the Group had received for the Chinese plant it established in Pinghu in 2018 for the production of light and compact equipment.

Refer to the "Strategic alliances" section for further information on the Group's collaborations. → Page 28.

Segment reporting by business segment

- Decline in light and compact equipment revenue
- Demand for agricultural equipment comparatively stable
- Growth in services despite COVID-19

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

Light equipment

The light equipment business segment covers the Wacker Neuson Group's activities within the strategic business fields of concrete technology, compaction and worksite technology. Production is synchronized with demand and delivery times are short. Orders are usually delivered within a few days. Light equipment is manufactured in Germany, the US and, since 2018, also in China.

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

REVENUE DISTRIBUTION 2020 BY BUSINESS SEGMENT[1]
AS A % (PREVIOUS YEAR)

- **21.6** Light equipment (25.3)
- **53.9** Compact equipment (54.8)
- **24.5** Services (19.9)

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

Revenue in the light equipment segment declined in the period under review by 27.5 percent to EUR 351.8 million (2019: EUR 485.3 million).[1] Adjusted for currency effects, this corresponds to a decrease of 25.7 percent. The light equipment segment's share of total revenue fell to 21.6 percent (2019: 25.3 percent).

Worksite technology products saw a particularly sharp drop in revenue due to weak demand in the North American market. This was also the main reason for the decline in compaction equipment revenue. In the field of concrete technology, revenue was negatively impacted both by the generally challenging market conditions in 2020 and by the significantly lower business volume with trowels. Wacker Neuson sold its trowel production business to the Swedish Husqvarna Group in December 2019.

Compact equipment

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

Falling demand due to the coronavirus pandemic resulted in a decline in revenue relative to the previous year of 16.5 percent to EUR 878.9 million (2019: EUR 1,052.8 million).[1] Adjusted for currency effects, this corresponds to a fall of 16.0 percent. As a result, this segment's share of total revenue decreased slightly to 53.9 percent (2019: 54.8 percent). Despite the pandemic, the Group still managed to grow sales of its innovative Dual View dumper, achieving market share gains in England in particular.

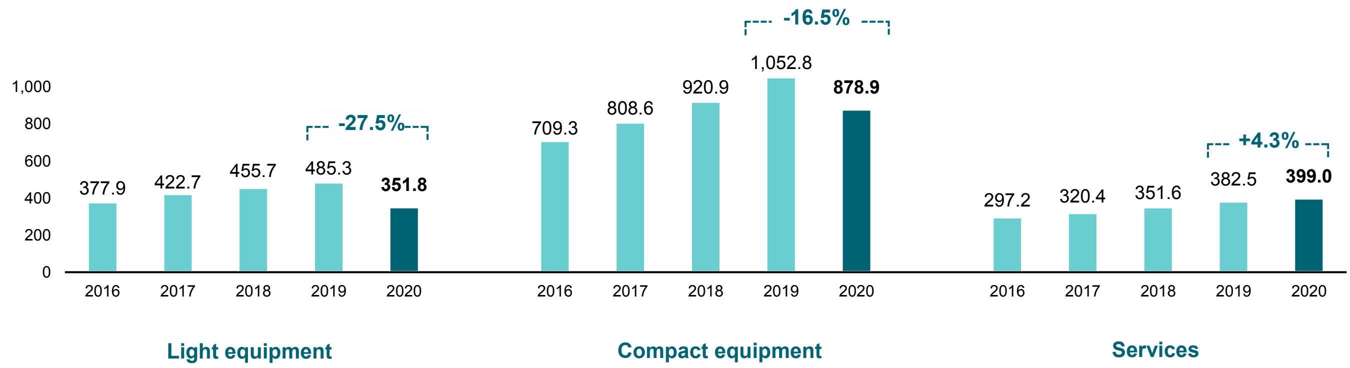
The Group's compact equipment business with European customers in the agricultural sector also had a stabilizing effect. Revenue from Kramer- and Weidemann-branded products fell by 1.9 percent to EUR 304.3 million (2019: EUR 310.2 million). Strong growth was, however, reported in the field of telescopic handlers. Agricultural compact equipment's share of Group revenue[1] thus rose by 2.5 percentage points to 18.7 percent (2019: 16.2 percent).

The agricultural sector is becoming an increasingly important target market for compact equipment for the Wacker Neuson Group. Increasingly global competition in the agricultural market means that landholders have to make investments to raise the efficiency of their operations. Whereas Weidemann already has an established and dense network of dealers – particularly in Central Europe – Kramer's agricultural sales network is further developing. In 2017, Kramer entered into a partnership with US-based John Deere to support expansion. This strategic alliance covers the distribution of wheel loaders, telescopic wheel loaders and telescopic handlers for the agricultural sector. Featuring the Kramer design and brand, the machines are being distributed via the John Deere dealer network initially in Europe. The collaboration got off to a successful start in 2017 and has been developing positively since then. Kramer was able to get numerous dealers on board in fiscal 2020 in Central European markets, as well as in Southern Europe and Scandinavia. By intensifying its efforts in Eastern Europe, the partners also won over several dealers in Russia. Buoyed by the positive feedback to the strategic alliance in Europe and the Commonwealth of Independent States, the two partners decided to expand it to other regions of the world. As a result, the alliance signed up its first dealers in Australia and New Zealand at the end of the fiscal year (→ Strategic alliances", page 28).

[1] Before cash discounts.

DEVELOPMENT BY BUSINESS SEGMENT 2016–2020[1]

IN € MILLION



[1] Revenue before cash discounts.

REVENUE BY BUSINESS SEGMENT

IN € MILLION

	2020	2019	Change
Segment revenue from external customers			
Light equipment	351.8	485.3	-27.5%
Compact equipment	878.9	1,052.8	-16.5%
Services	399.0	382.5	4.3%
	1,629.7	1,920.6	-15.1%
Less cash discounts	-14.2	-19.5	-27.2%
Total	**1,615.5**	**1,901.1**	**-15.0%**

Services

The Wacker Neuson Group attaches importance to customer-centric services as well as intensive, individualized support. The Group complements new equipment sales with an extensive range of complementary services. The services segment covers the business fields of repair, service and spare parts, used equipment, financing, telematics solutions, e-business and flexible rental solutions in selected European markets. The services segment also encompasses limited sales of third-party equipment, including for example the resale of trade-ins.

In the 2020 fiscal year, revenue[1] in the services segment increased 4.3 percent to EUR 399.0 million (2019: EUR 382.5 million). Adjusted for currency effects, revenue grew by 4.6 percent. The services segment's total share of revenue thus rose markedly to 24.5 percent (2019: 19.9 percent).

One of the Group's objectives is to offer its customers maximum flexibility when it comes to product choice. The availability of a rental fleet in selected European countries means that customers can quickly access equipment for their local needs. In particular, however, the Group's agile service offering also focuses on medium- and longer-term solutions, re-rentals, hire-purchase agreements and a well-varied fleet of relatively new used equipment. The Group was able to capitalize on this during the highly volatile year that was 2020. As a complementary part of its used equipment business, the Group allows customers to trade in their used equipment. Wacker Neuson reconditions these second-hand machines and places them on the used equipment market.

Once again, the traditional repair and service business was an important part of the services segment in 2020. Due to interruptions in construction site activity and poor visibility in light of the COVID-19 pandemic, demand from customers for services such as maintenance and repairs rose as customers postponed investments in new machines.

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

The extensive services portfolio supports the Group's customer-centric strategy, which focuses on guaranteeing maximum product availability for owners and users.

Growing importance of digital services

The Group is continuing to expand its digital service offering. Trends like digital connectivity to integrate customers into different business processes are key to adding further value to the Group's products. In the digital service space, new features have been added to the EquipCare telematics solution and the Group continued to roll it out across all brands and regions (→ Other factors that impacted on results: Sales, service and marketing, page 55). The Group also started to develop EquipZip, a digital platform connecting independent rental fleets as a fleet sharing solution for the US market. This app allows customers to book rental equipment online and pick it up from the nearest hub using a 24/7 contactless access control system.

[1] Revenue before cash discounts.

Other factors that impacted on results

RESEARCH AND DEVELOPMENT[1]

	2020	2019	2018	2017	2016
R&D costs (€ million)	32.5	36.9	35.9	35.8	34.8
R&D share (as a % of revenue)	2.0	1.9	2.1	2.3	2.6
Capitalized expenses (€ million)	31.7	26.3	18.4	13.4	13.5
Capitalization ratio as a %	49.4	41.6	33.9	27.2	28.0
Depreciation on capitalized expenses (€ million)	15.9	11.2	9.0	9.3	9.0
R&D costs incl. capitalized expenses (€ million)	64.2	63.2	54.3	49.2	48.3
R&D share incl. capitalized expenses (as a % of revenue)	4.0	3.3	3.2	3.2	3.5

[1] Previous years adapted to current booking basis.

Research and development

- Research and development as a key success factor
- Broad offering of all-electric light and compact equipment
- The importance of product safety, user protection and ergonomics

Research and development as the foundation for long-term success

Research and development (R&D) plays a key role in the success of the Wacker Neuson Group and has remained a top priority throughout the coronavirus pandemic. The R&D ratio, including capitalized expenditure, rose in fiscal 2020 to 4.0 percent (2019: 3.3 percent). A total of EUR 31.7 million was capitalized during the period under review in conjunction with the development of new products, which was an increase on the previous year (2019: EUR 26.3 million).

The Wacker Neuson Group actively protects its innovative products and processes against unauthorized imitations through patents and utility models. In fiscal 2020, the Group filed 34 new patents and utility models around the world (2019: 32), and 11 patents and utility models were granted (2019: 26). In total, the Wacker Neuson Group owns 216 patents and utility models worldwide (2019: 255).

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

Front-loading secures market success

The Wacker Neuson Group attaches considerable importance to front-loading in its product development process. The aim of front-loading is to focus on detailed planning in the early stages of a project in order to reduce unnecessary resource and material consumption further down the line. Above all, this entails understanding customer requirements, technical functionality and the operational performance of a product. Maintaining close contact with customers is a very important part of this process, as is ongoing internal alignment and the use of digital models. This approach enables the Group to identify potential for improvement, strengthen its innovative drive and ensure that the products under development deliver more value to customers. Involving customers at an early stage in projects also prevents unnecessary development loops. This in turn saves time and materials, allowing resources to be redeployed more productively elsewhere. The Group also employs value engineering (optimizing value and benefits while using resources as efficiently as possible) as a further means of ensuring its products remain competitive in the long term.

Digitalization and virtual product development

The Wacker Neuson Group uses new technologies to develop its compact equipment. The opportunities presented by virtual and augmented reality are being harnessed in industrial and product design and will also be deployed for optimized planning of production processes in future. They enable engineers and also customers to experience machines in a virtual environment and test, for example, the ergonomic design of a cockpit before an initial prototype has even been built. These technologies can also support the development process through virtual tests and simulations – also of the product assembly process. Simulation eliminates the need for resource-intensive building and reworking of physical prototypes. All of which makes the overall research and development process faster, more efficient and more sustainable. It also promotes interdisciplinary collaboration across multiple sites and helps teams conserve resources.

Focus on environmentally friendly products, reducing emissions is a key priority

The Wacker Neuson Group firmly believes that its products can make a contribution to climate protection. Reaching beyond its obligation to continuously adapt and evolve its portfolio in line with regulatory requirements, the Group has made a conscious decision to develop a broad offering of environmentally sound products and services.

Looking past the reduction of exhaust emissions, the Wacker Neuson Group's eco-efficiency and energy efficiency activities are key levers in the drive to develop an even more environmentally friendly and safer product portfolio in the future. This includes the development of new control systems for optimizing drive technologies in machines. Functions such as energy-saving mode reduce fuel consumption and improve energy efficiency. The Group's engineers also focus on developing new drive concepts and standardizing components used in different models, modules and product groups.

Broad offering of all-electric light and compact equipment

Electromobility is framed by Strategy 2022 and also hardwired into the Group's technology roadmap for the coming years. The Group is one of the first manufacturers worldwide to offer a broad portfolio of electrically powered light and compact equipment with its "zero emission" product line. This product portfolio includes rammers and vibratory plates, internal vibrators, track and wheel dumpers, a dual power mini excavator that can be operated by an electro-hydraulic power unit in addition to its diesel engine, and wheel loaders for the construction and agricultural industries. In fiscal 2020, the Group also added the first fully electric mini excavator to the range. This portfolio paves the way for emissions-free, low-noise construction work in sensitive environments such as residential areas, tunnels, underground car parks and indoor areas. Products in the zero emission range offer enhanced protection for users and the environment, require less maintenance and lower operating costs relative to machines with conventional drives.

Zero emission solutions are already an attractive addition or alternative to fleets for both end customers and rental companies. Sales of all-electric products are growing above par although they still account for a comparatively small share of the Group's total revenue. The Wacker Neuson Group firmly believes that alternative drive concepts will play a key role in the future of the construction and agricultural equipment industries and remains committed to channeling above-average investments into this area. In light of the ambitious goals set out in the EU's Green Deal, the Group also expects the construction sector to be subject to more stringent regulations over the coming years. Enabled in part by the further advancements in battery technologies currently anticipated, all-electric light and compact equipment are expected to experience a strong increase in market uptake. As such, the Group intends to remain on its current strategic path and aims to even speed up the development of new electrically powered machines.

Modularization plays an important role in new product development at Wacker Neuson. The batteries for the Group's existing electric vibratory plates, rammers and high-frequency internal vibrators, for example, are all interchangeable. This solution saves customers money and is also beneficial for the environment as it means that fewer batteries are required overall.

The importance of product safety, user protection and ergonomics

Customer safety is a top priority for Wacker Neuson. The company aims to deliver machines that are easy to use, do not pose any risk to the operator and provide the best possible support for construction site workflows. Wacker Neuson continuously improves user safety by making technical modifications to existing products and developing new, innovative products such as the Dual View wheel dumper. The operating and seat console of this dumper can be rotated 180 degrees; unlike conventional dumper models, this ensures that the operator can always drive straight ahead and has a clear view in the direction of travel. The Dual View dumper was launched in fiscal 2019. The sales figures for fiscal 2020 again confirm – from the Wacker Neuson Group's perspective – that this concept is a success. With its comfortable design and outstanding safety levels, the Dual View dumper has opened up a new market segment as it can be used in many applications where contractors previously had to rely on construction site trucks.

Looking beyond functional design, development work also focuses heavily on operator ergonomics. In fiscal 2019, for example, Wacker Neuson unveiled the concept model of an autonomous vibratory plate. The Group continued to work on its autonomous control capabilities in fiscal 2020 and plans to carry out the first larger-scale field tests at customer sites in 2021. The new plate is an operator-centric solution that boosts efficiency on construction sites. At the same time, the plate eliminates any adverse impacts from hand-arm vibrations by allowing operators to control it remotely using a tablet.

New products and innovations in 2020

In 2020, the Wacker Neuson Group launched numerous innovations tailored to the needs of different customers worldwide and their country-specific requirements.

The Wacker Neuson brand

In 2020, the Wacker Neuson brand expanded its zero emission product line to include the first all-electric mini excavator (EZ17e). Thanks to its flexible charging management and powerful performance, this compact excavator is as versatile as a conventional model of the same class. One battery charge is enough for an average working day. The mini excavator features an integrated lithium-ion battery and can be used without a power cable. It can also be connected to the mains and charged while carrying out stationary tasks. The company introduced system boxes specifically for the interchangeable lithium-ion batteries used in the zero emission light equipment (battery rammers, vibratory plates and internal concrete vibrators). UN-certified specifically for Wacker Neuson, these boxes protect the battery and charger more effectively against dirt and damage. They can also be used to transport and securely store batteries in line with ADR and RID regulations. In addition to this, the two battery rammer models AS50e and AS60e have been equipped with new guide handles to improve their climbing capabilities. To view the full zero emission product range, go to → www.wackerneuson.com/zeroemission

Wacker Neuson further expanded its compact equipment offering with the launch of the WL28, WL34 and WL110 wheel loaders. With an operating weight of 10 tons, the WL110 is designed especially for heavy-duty material handling requirements. Wacker Neuson's remodeled WL34 is an all-rounder that now delivers even more power and performance. The new WL28 wheel loader is a versatile transporter with a high tipping load and enhanced levels of comfort and safety.

In 2020, Wacker Neuson completely overhauled its TH412 telescopic handler. With a payload of 1.25 tons and a lifting height of four meters, the TH412 is the company's most compact telescopic handler. Its compact dimensions and powerful performance make it the ideal choice for challenging jobs in confined spaces.

The company has also added two new track excavators to its portfolio. The ET42 and the zero-tail EZ50 have operating weights of four and five tons respectively. Both excavators deliver outstanding lifting and digging capacities to speed up workflows, while their three-point kinematics enable more breakout force, insertion depth and dumping height. These models round off Wacker Neuson's excavator portfolio in this class.

2020 also saw Wacker Neuson launch the DW40 dumper. In 2020, Wacker Neuson introduced additional options for its DW20 and DW30 models with two- and three-ton payloads respectively. The dumpers have been available since fall 2019 and the new options will make the machines even more versatile for customers.

In the roller business, 2020 also saw Wacker Neuson launch a new generation of its RD7 vibratory roller. The roller has one of the lowest hand-arm vibration ratings on the market.

In addition to launching innovative machines, Wacker Neuson unveiled a new digital solution in its Services segment. Compamatic, which connects Compatec compaction control with the EquipCare telematics solution, is now also available for heavy-duty vibratory plates. Customers can use this service to track compaction progress remotely via a mobile app or desktop computer and seamlessly document quality control.

Wacker Neuson launched the new ST40 and ST50 compact track loaders in North America in 2020. The control elements are ergonomically designed to enhance comfort levels and improve visibility, reducing operator fatigue and increasing productivity. The SW32 skid steer loader was also unveiled in 2020. Standard two-speed transmission increases travel speed on job sites, giving the operator more time throughout the day to get more tasks completed.

Three new excavator models tailored to the requirements of local operators were introduced to the Asian market at the start of 2020. These included the EZ20 and EZ26 zero-tail models and the conventional ET75 track excavator. In addition to this, the strategic alliance between Dingo Mini Diggers Pty Ltd and Wacker Neuson Australia got underway in March 2020. Since then, the Wacker Neuson "Mini Loaders by Dingo Australia" have been available in Australia, New Zealand and the Pacific Islands. These compact, powerful machines are available as track or wheel models and can be paired with a host of different attachments.

The Kramer brand

Kramer unveiled new compact wheel loaders in 2020. These included the KL12.5 and KL14.5 models for the agricultural sector and the 5035 and 5040 models for the construction sector. All machines come with a new cabin design plus a number of modern, ergonomically designed features and performance options. The KL14.5 and 5040 models also feature three different drive modes aimed at reducing operator fatigue in different driving scenarios and conserving fuel.

The company presented new telescopic handlers in the six- to nine-meter lifting height product segment with powerful Stage V engines and a host of additional features. In the compact telescopic handler segment, Kramer presented the new 1245 model for the construction sector. Its compact dimensions make it the ideal choice for a broad scope of applications.

The Weidemann brand

In 2020, Weidemann completely remodeled two of its established models, the 1390 articulated wheel loader and the T4512 telescopic handler. Alongside numerous enhancements, both machines now feature additional functions and a new innovative drive technology known as ecDrive. This electronically controlled drive system enables operators to unleash the machine's full power reserves – even with lower-HP models. It does this by offering four different driving modes. Auto mode, for example, ensures the loader delivers its usual full performance. In eco mode, engine speed is reduced to 2,200 rpm once the vehicle has reached the target speed. This has a positive impact on noise and fuel consumption. The machine also comes with an attachment mode and an M-drive mode. In M-drive mode, the driver uses the manual throttle to set the diesel engine's rpm and then uses the drive pedal to control the driving speed and control pressure.

Production and logistics

- Significant cutbacks to production programs due to COVID-19
- Expansion measures aimed at driving future growth continued
- Focus on digitalization and supply chain management

Production at seven locations worldwide

In 2020, the Wacker Neuson Group manufactured equipment at a total of seven sites worldwide:

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

As part of its focus on the core markets of Europe, North America and in future China, the Group has closed a total of three production sites since 2018. Two of these were located in the Americas region (USA and Brazil) and one was in Asia-Pacific (Philippines).

Major cutbacks to production programs

Manufacturing activities at the Wacker Neuson Group's production plants were interrupted in 2020 due to the effects of the COVID-19 pandemic. The Chinese factory in Pinghu was the first to be affected. Production here came to a standstill for several weeks in Q1. However, the facility was ramped up again from March onwards. The plants in Austria, Germany and Serbia were shut down at the end of March / beginning of April for periods of between two and five weeks due to supply chain interruptions and a rapid drop in market demand. Following these shutdowns, the sites were started up again with significantly scaled back production programs adapted to the change in demand dynamics. A number of short-time work models were introduced here, in particular during the second quarter. Due to the particularly high number of cases in the US and the high inventory levels there, production activities in the region were largely halted from the start of April until the end of September. The first production lines were gradually ramped up again towards the end of the third quarter in response to positive order intake trends.

Investments in further growth

At the Pfullendorf and Korbach sites, the Group continued to implement the expansion measures started in 2019, which – despite the challenges of 2020 – are looking towards further growth. At Kramer (Pfullendorf), investments were made in expanding production logistics. These were flanked by the expansion of assembly and testing facilities. At Weidemann (Korbach), work continued on the construction of a new administration and development building. The building is set to be finished by the end of 2021.

Corporate operations

Group-wide standardization and optimization activities at production facilities and the transfer of knowledge between global production sites were again key areas of focus in 2020. Measures aimed at raising productivity, flexibility and ergonomics were particularly important here. Wacker Neuson's lean management system ZERO, the use of new technologies ("smart factory") and process improvements in production, logistics and along the supply chain are all key factors for the Group on its journey towards operational excellence. The Group uses the planning and management tool Hoshin Kanri to implement its strategy and the defined improvement measures (policy deployment). This method is systematically applied at all levels in the organization, from executive to operational level, to ensure that all activities are aligned with strategic goals.

Roll-out of the methods-time measurement (MTM) time management standard for analyzing manual activities started in 2018 and was systematically continued in 2020. All production sites use this method to gain analytical insights into potential for sustainable improvements. It can contribute to easier, fairer, more healthy and more efficient assembly workflows, for instance. This uniform standard supports process improvements and makes it easier for experts at different locations to engage with each other and capitalize on the insights gained. In 2020, the time management standard was expanded to internal logistics. While the pilot project at the Hörsching site was nearing successful completion at the end of 2020, work was underway to prepare the systems and processes required to roll out MTM logistics to further factories during 2021.

This involved establishing improvement measures and important data funnels for further digitalization and automation initiatives targeted at both employee-driven activities but also, more importantly, at machine-enabled production processes. A new workflow for standardized, professional maintenance was developed, for example, and supported by an SAP-based software solution. The workflow allows machine downtime to be precisely analyzed and the resulting insights to be used to develop preventative measures. Once they have been implemented at the pilot plant, these processes and tools will be rolled out to other sites.

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

Optimizing the supply chain
Supply chain challenges have intensified significantly due to the increase in the number of product variants, stricter emissions legislation, the introduction of new systems and components and the internationalization of procurement, production and spare parts processes.

In 2019 and 2020, extensive adjustments were made to the Group's planning processes and underlying IT systems in order to reduce days inventory outstanding to around 125 days in the long term. The rollout of SAP IBP (Integrated Business Planning) was a key milestone here; one that will gradually allow an integrated approach to sales and production planning to be expanded to all companies across the Group. In the first step, the module for sales, revenue, inventory and budget planning went live at the start of the second half of 2020. Precise, transparent sales planning across all sales affiliates provides a clear overview of the development of global inventory. Deviations from planned target values can be identified more quickly than previously, allowing countermeasures to be implemented where necessary. As part of step two in Q4 2020, the Group started to roll out the module for supply and operations planning, which will allow Group-wide production planning processes to be directly aligned with sales planning activities. This systematic alignment of sales requirements with production and supplier capacity will improve the Group's delivery capabilities, including its ability to deliver on time, while at the same time reducing average inventory levels held by the Group. The module is initially rolled out at the pilot plant in Pfullendorf. Following a test phase lasting several months, all other production sites are scheduled to be integrated by the end of the year.

In fiscal 2020, European spare parts distribution for light equipment was relocated from the previous site in Karlsfeld to the central logistics center in Nuremberg. From July onwards, all Wacker Neuson Group dealers and sales affiliates aligned with the European logistics center now receive their spare parts from a single source.

In addition to this, the construction of a new automated warehouse for finished light equipment products was commissioned in 2020 at the Reichertshofen site (production plant for light equipment). Construction work is set to start in spring 2021, with the entire facility starting operations in 2022. This investment will consolidate the entire distribution of light equipment for Europe at the Reichertshofen site.

Procurement

- Coronavirus pandemic disrupts global supply chains
- Progress in the alignment of production and supply chains
- Sustainable supplier management

Coronavirus pandemic disrupts global supply chains
In 2020, the Group experienced significant disruptions to parts of its global supply chains in conjunction with the rapid spread of the coronavirus. This initially impacted the flow of goods from China. While the supplier situation there improved relatively quickly, the Group then had to contend with disruptions to its supply chains in Europe, especially during the second quarter. The situation in this region also started to recover in the second half of the year.

Production and supply chain alignment
The Group is aiming for ever-tighter alignment between production and supply chain through intensified supplier management and targeted supplier auditing. Product supply is based on a rolling production and delivery forecast. Ensuring that more suppliers are digitally connected via EDI (Electronic Data Interchange) has a key role to play here. As part of its rollout of SAP IBP (Integrated Business Planning), the Group started to implement the solution's supply and operations planning module in Q4 2020, enabling Group-wide production planning processes to be directly aligned with sales planning activities. This systematic alignment of sales requirements with production and supplier capacity will improve the Group's delivery capabilities, including its ability to deliver on time, while at the same time reducing average inventory levels held by the Group → Production & logistics, page 53.

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

with suppliers that best meet its requirements regarding quality, delivery capabilities and cost. To ensure suppliers can meet the stringent requirements of Wacker Neuson, the Group regularly carries out supplier audits.

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

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

Reacting to price fluctuations in procurement markets
The Wacker Neuson Group has a global procurement organization. The Group mitigates currency risks by concluding corresponding risk splitting agreements with suppliers and by relying on currency hedging. Changes in steel prices are of particular importance for the Group. There was a downward trend in these prices in 2020. Towards the end of 2020 and into 2021, there was a sharp rise in steel prices however.

Sales, service and marketing

- Marketing via diversified sales channels
- Digitalization in sales
- Partnerships with market leaders to increase market penetration

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

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

In a number of markets, the Group has local sales affiliates that support and advise customers and dealers. The Group continually optimizes its market- and customer-specific sales network in order to consolidate and further expand its position in different markets. In 2020, the Group again identified and certified new dealers across the world. Tailored financing packages that Wacker Neuson offers to its dealers in collaboration with external partners also have an important role to play in the Group's efforts to expand its sales and distribution network.

During the coronavirus pandemic, the Group's direct sales network proved particularly beneficial, offering customers a broad spectrum of flexible rental, sales and service solutions. Business with nearly new equipment from the Group's own rental fleet developed particularly strongly in fiscal 2020, providing the Group a flexible way to meet customer-specific requirements.

Digitalization in sales
Dealers can use the online ordering platform "ePartner" around the clock to find out more about products, spare parts and accessories, check their availability, configure light and compact equipment and place orders for equipment and spare parts. In 2020, the Group continued to roll out the platform for all three brands so that it can now be accessed by dealers in over 70 countries. Wacker Neuson also provides end customers in Germany, the UK and France with the "eStore" platform. Customers can use this to order spare parts and light equipment as well as to configure and request information about compact equipment. In Germany, the tool can also be used to rent products and arrange maintenance and repair appointments.

Trends like the digital networking of products and services are becoming increasingly important in adding value for customers. The EquipCare telematics solution, for example, brings a new level of transparency to fleet management. Machines equipped with this technology can push messages in real time to the customer's device (desktop, tablet, smartphone) when they require maintenance, experience a malfunction or are unexpectedly moved to a different location. The tool gives customers a comprehensive overview of their machine's status, including location, operating hours, idle time and the service interventions due soon. EquipCare lets the technical support teams at customer and dealer sites collaborate seamlessly and extremely efficiently with Wacker Neuson Group service engineers.

New features for EquipCare were released in 2020 and the Group continued to roll this solution out across all markets and regions. This included the access control solution "Dual ID", which enables customers to unlock and start machines using a PIN code. In addition to this, Compamatic, which connects Compatec compaction control with the EquipCare solution, was also rolled out for heavy-duty vibratory plates. With Compamatic, customers can also track compaction progress remotely. The seamless documentation of quality control further contributes to worksite efficiency. The Group also started to develop EquipZip, a digital fleet sharing solution for the US market. This app allows customers to book rental equipment online and pick it up from the dealer using a contactless access control system, providing access to rental equipment 24/7.

Diverse customer base
The Group's products and services are targeted at a broad range of customers in order to spread economic risk and drive further growth. The Group's end customer base includes construction companies, gardening and landscaping firms, rental firms, the agricultural sector, municipal bodies and recycling companies as well as rail transport and manufacturing companies. This makes the company less dependent on industry-specific cycles.

Partnerships with market leaders
To further extend its market reach, the Wacker Neuson Group maintains sales partnerships with selected market leaders. In 2020, the Group focused in particular on expanding its collaboration with John Deere, which it entered into in 2017. The partnership covers wheel loaders, tele wheel loaders and telescopic handlers for agricultural markets. For detailed information on the Group's collaborations refer to → Strategic alliances, page 28

Individualized solutions and customer-centric strategy
The Wacker Neuson Group continued to offer its customers individualized product and service solutions tailored to their needs in 2020. One of the key focus areas here included the further development of attractive financing models – primarily via external service providers. The Group also held various expert seminars around the world. Digital training opportunities are becoming increasingly important here as they allow employees, sales partners and customers to participate in training from any location. By building on the structures it had created for live, trainer-led online training sessions in 2019, the Group was able to expand its educational offering at the Wacker Neuson Academies in Reichertshofen and Menomonee Falls (USA) in fiscal 2020 despite the coronavirus pandemic.

The Group always aims to develop new products and services that help customers' businesses thrive. It collaborates closely with its customers to ensure it understands exactly what they need. Customers are invited to "Voice of Customer" workshops at both the early and main stages of product development. These events provide a hands-on opportunity for participants to test equipment and machines and for Wacker Neuson to capture suggestions for improvement (see information on → front-loading, page 51).

Dialog with customers
Staying close to customers also means maintaining ongoing communication with customers. The Wacker Neuson Group uses various communication channels to provide different audiences with up-to-date information on products and services. These channels include the three brand websites, the Group website, social media channels (including Facebook, Instagram and LinkedIn), newsletters, conventional print brochures and articles in the trade press. In 2020, only very few trade shows and other events were held in the real world, with increasing numbers switching to virtual events platforms. The Construction Equipment Forum and the Future Battery Forum, which the Wacker Neuson Group supports as a founding member, also took place entirely online in 2020.

Human resources

- Employees as a key success factor
- Decline in headcount related to lower production volumes

Employees as a key success factor
Wacker Neuson, Kramer and Weidemann employ around 5,500 people worldwide, all of whom are key to the Group's success and long-term growth. To develop employees' technical/commercial and soft skills and to ensure its people retain their enthusiasm for their work, the Group strives to create optimum working conditions in an open corporate culture that values and respects individual effort.

Wacker Neuson firmly believes that satisfied, committed employees are more productive and achieve better results. The company is committed to promoting wellbeing at the workplace and aims to build long-term employee loyalty – specifically in times of skill shortages. Wacker Neuson supports employees in striking the right work-life balance, by enabling flexible working hours in many areas, for example, and implements measures to protect employee health – something that has been a particular area of focus during the coronavirus pandemic. To ensure employees feel well equipped to deal with technological, procedural and organizational changes at work and are able to see change as an opportunity, the company strives to identify optimization potential in workplace ergonomics, occupational health and employee wellbeing at an early stage and to implement appropriate measures. As part of the employee survey, last carried out in 2019, the Group identified potential for optimization in the area of "Health, strain and stress in the workplace". In fiscal 2020, measures developed based on this survey were implemented on a departmental and site-specific basis, making it easier for employees to gain an overview of their tasks and prioritize them, enabling potential causes of stress to be reduced by improving internal processes and process interfaces.

To ensure it remains competitive in the future, the Wacker Neuson Group needs committed, skilled employees. The Group provides its employees with opportunities for lifelong learning, offering an extensive portfolio of training and talent development courses and providing people with targeted support here. Wacker Neuson wants its employees not only to unleash their full potential in their tasks, but also to continuously further develop their technical/commercial and soft skills.

For detailed information on training and talent development opportunities, and the Wacker Neuson Group's role as a responsible employer, refer to the 2020 non-financial report of the Wacker Neuson Group. This can be accessed on the corporate website: → www.wackerneusongroup.com

Pulse survey on the response to COVID-19
In September 2020, the Group carried out a pulse survey among employees from 23 affiliates in the EMEA region to assess the impact of the coronavirus pandemic. The aim of the survey was to gauge the mood among employees in relation to the acceptance of COVID-specific measures. According to the survey, a total of 77.8 percent of employees were satisfied or very satisfied with their employer during the coronavirus pandemic. 81.0 percent rated the Wacker Neuson Group as flexible or very flexible. The majority of employees selected good or very good for the Group's response to the coronavirus pandemic in the areas of home-office solutions, IT, communication and modifications to working conditions as well as for its occupational safety measures. At the same time, a total of 18.5 percent of respondents were worried about keeping their jobs while 50.4 percent reported a rise in stress levels at work since the start of the pandemic.

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

	2020	2019	2018	2017	2016	2015	2014
Employees	5,200	5,654	5,370	5,064	4,792	4,632	4,372
incl. temporary workers	5,554	6,056	6,190	5,546	5,181	5,005	4,990

[1] Number of full-time equivalents (FTE). Differences attributable to rounding.

Headcount trends in 2020

In fiscal 2020, Group headcount fell by 8.3 percent relative to the prior year's closing date.[1] Production experienced a sharper drop due to significant cutbacks in production programs. The biggest decline in employee numbers was reported at the US production site, which was closed for several months due to the effects of the coronavirus crisis. → Production and logistics, page 53. In addition to this, around 90 of the employees at this site were on unpaid leave at the balance sheet date.

The number of employees in sales and administration also fell, although the drop was less pronounced than that reported on the production side.

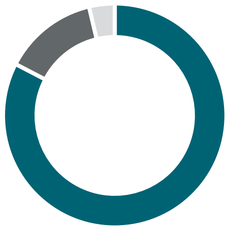
At the December 31, 2020 closing date, the Group employed a total of 5,554 people (2019: 6,056). The number of temporary workers declined relative to the prior year's closing date to 353. This corresponds to a ratio[2] of 6.4 percent (December 31, 2019: 402; 6.6 percent). In this report, the number of people working for the company is converted into full-time equivalents.

4,845 (87.2 percent) of all employees were based in Europe at the balance sheet date (2019: 4,998). 483 people were employed in the Americas region (2019: 794), and 225 in the Asia-Pacific region (2019: 265).[3] In fiscal 2020, 53.8 percent of employees worked in production, 26.7 percent in sales and service, 10.1 percent in administration and 9.4 percent were employed in research and development.[4]

Personnel costs amounted to EUR 363.5 million in 2020 (2019: EUR 392.6 million). Refer to item 3 in the Notes to the Consolidated Financial Statements for detailed information about personnel costs.

HEADCOUNT BY REGION[3]

AS A %



Differences attributable to rounding.

EMPLOYEES BY SECTOR[4]

AS A %

Differences attributable to rounding.

[1] Based on the number of positions (FTE = full-time equivalents; the number of people working for the company was converted into full-time equivalents).
[2] Calculation: Number of temporary workers (as FTEs) / total workforce (as FTEs)
[3] Temporary workers were included in the figures for fiscal 2020. Prior-year figures have been adjusted accordingly.
[4] Temporary workers were included in the figures for fiscal 2020. Prior-year figures have been adjusted accordingly. Furthermore, service technicians were reclassified from sales and service to production in fiscal 2020. Prior-year figures have been adjusted accordingly.

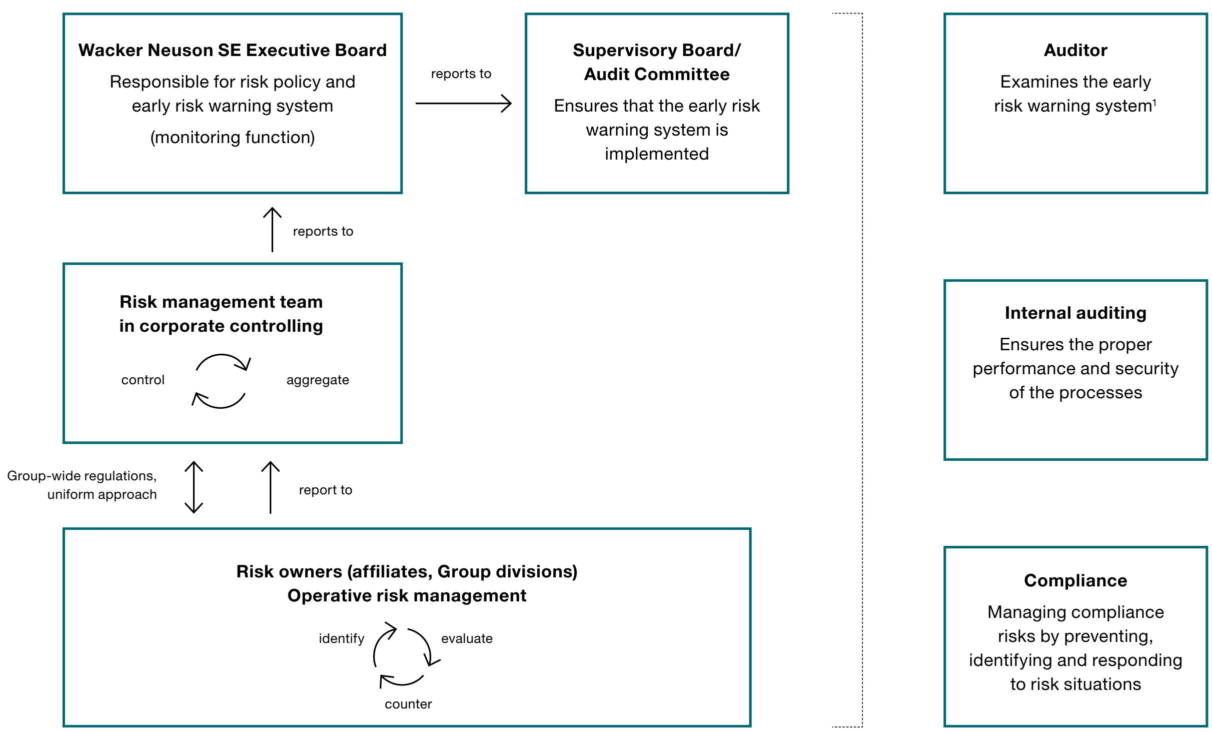
Risk report

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

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

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

CONTROL AND RISK MANAGEMENT



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

Risk management system

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

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

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

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

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

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

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

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

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

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

Risks

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

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

RISK EXPOSURE

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

At December 31, 2020, the following individual risks with a high or very high value of anticipated damages were recognized at Group level:

GREATEST INDIVIDUAL RISKS AT DECEMBER 31, 2020

	Risk exposure	Change compared with previous year
Drop in demand from customers	High	Increased

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

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

DISTRIBUTION OF RISK ACCORDING TO RISK CATEGORY
AS A %

	Percentage share of total risk
Operational risks	72
Financial risks	13
Legal and regulatory risks	2
Personnel risks	7
Technology and development risks	4
Other risks (incl. strategic and IT-related risks)	2

Operational risks – risks associated with the overall economic situation, risks associated with COVID-19, risks in sales and procurement markets

At 72 percent, operational risks account for a sizable share of overall risk (2019: 28 percent). The value of anticipated damages in this category has increased significantly relative to the previous year. This is primarily attributable to a rise in sales risks fueled in part by the coronavirus. These risks relate specifically to potential downturns in demand and compromised delivery capabilities for the Wacker Neuson Group caused by supply chain disruptions. In addition, the risk of increased cost of sales as a result of increases in material prices and shortages in procurement markets has risen.

Overall economic risks

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

COVID-19 pandemic

According to business barometers from relevant industry associations, expectations among manufacturers of agricultural and construction machines have taken a positive turn relative to spring 2020 (refer to → Opportunities and outlook, page 71 onwards). The development and approval of COVID-19 vaccinations has opened up the possibility of a rapid recovery in 2021. Whether and to what extent recovery will actually materialize will depend very much on the future development of infection rates and the resulting restrictions, which could also include temporary construction site closures. The scope and implementation of public investment and infrastructure projects will play a key role here, together with the corresponding contracts awarded to construction companies and construction equipment manufacturers.

If the measures aimed at containing the COVID-19 pandemic do not yield the expected results in 2021, this could again result in low investment activity in the Wacker Neuson Group's target markets and could also have a negative impact on global supply chain functionality across the Group. Furthermore, in the event of infection amongst employees, it may prove necessary to temporarily close individual Wacker Neuson Group sites/offices. The consequences of this would include possible decreases in production capacity, revenue and profitability.

Material price risks

Increases in the prices of raw materials, in particular for steel but also for other components, caused by a rise in demand as well as speculation on the commodity markets, currency effects, capacity bottlenecks in container shipping and international trade policy, could push up the cost of materials. As a result, there is a risk that suppliers could demand higher prices. These price increases in the procurement market could lead to higher cost of sales. In 2020 already, the instability of global supply chains led to an increased risk here. Already in 2020, global supply chain instability in this area lead to increased risks. The Group is countering this risk by developing a more flexible and diverse global procurement strategy and by focusing on strict cost controls and systematic productivity gains. The Group maintains regular contact with business partners and suppliers to jointly develop robust solutions. Furthermore, the Group aims to offset rising procurement costs by passing on price increases to the market. However, these usually take effect with a time lag of around six months.

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

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

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

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

Other procurement risks
To manufacture its products, the Group is dependent on the availability, timely delivery and variable pricing of numerous raw materials and components – particularly steel and aluminum – and also of steel construction components and precast parts as well as engines, electrical/electronic components and hydraulic and chassis components. Since the fourth quarter of 2020, the Group has faced growing capacity bottlenecks in container shipping, which can have a negative effect on the timely delivery of raw materials and components, as well as on the costs of transport. In addition, the Group relies on raw materials and parts supplied by third parties being free of defects and meeting the relevant specifications and quality standards. Defects in pre-manufactured parts could result in quality issues for Wacker Neuson Group customers on the one hand, and production delays on the other, which may ultimately slow down product deliveries to customers. These scenarios could damage the Group's brand and corporate image and potentially result in contractual penalties, claims for damages and losses in market share. The Group is countering this risk by preemptively auditing key suppliers, rating the key indicators of quality, timescale and cost. These key suppliers are supported on site by qualified Wacker Neuson Group personnel at every step of the process flow, already before initial nomination through prototyping to series production. To ensure security of supply, the Group focuses on short lead times so that it can react to fluctuations in demand. To avoid bottlenecks in the supply chain, the Group maintains close and regular contact with its suppliers and concludes binding supplier agreements. If required, it also opens up new supply sources to meet short-term rises in demand and stabilize the supplier base. In order to further reduce the risk associated with suppliers, the Group introduced a code of conduct for suppliers, which requires that suppliers comply with legal regulations and the principles set out in Wacker Neuson's corporate ethics policy. The aim is to prevent the risk of reputational damage as a result of supplier shortcomings.

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

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

Financial risks account for 13 percent of overall risk facing the Group. This is a decrease on the previous year's figure of 32 percent. The value of anticipated damages in this category has increased slightly relative to the previous year. Foreign currency risks and capital commitment risks related to financing inventory have decreased compared with the previous year. In contrast, risks relating to receivables due to the Wacker Neuson Group from customers have increased.

With regard to receivables from customers, the Group is exposed to the risk of individual customers defaulting on payments. This risk has increased in light of the COVID-19 pandemic due to potential customer insolvencies. Expansion of the dealer network in North America and China goes hand in hand with a need to finance these dealers in the short and medium term. COVID-19 has also raised the risk of default here. Against this backdrop, value adjustments in connection with allowances for doubtful receivables in the total amount of EUR 33.3 million were also recognized in fiscal 2020. The Wacker Neuson Group counters the risk of default through efficient receivables management systems that include checks on customers' credit ratings and credit limits, extended retention of title as a legal instrument, the partial no-recourse sale of receivables to financing companies, financial guarantees from the owners of dealer organizations and higher balance sheet risk provisions.

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

A euro that has gained in value, in particular against the US dollar, negatively impacts exports of products manufactured in the eurozone. The Group is countering this risk by continually monitoring currencies and in some cases negotiating euro or US dollar prices on deals with customers based in countries outside of the eurozone or US dollar area.

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

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

As Wacker Neuson distributes its products in Europe via affiliates and its own sales and service stations, inventory levels of finished machines across the Group are relatively high in comparison with some competitors. The Group is countering the resulting capital commitment risks using strict affiliate-specific inventory targets. These are monitored on an ongoing basis and rationalization measures implemented where necessary.

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

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

The risks in this category account for 2 percent of overall risk (2019: 5 percent). The value of anticipated damages has also decreased. These trends were primarily driven by a decrease in risks relating to trade restrictions.

Trade restrictions on imports of Group products in some countries or restrictions preventing the Group from bringing its products to market could have a negative impact on its revenue and earnings. The Group tries to influence developments here by participating in committees and engaging in lobbying activities. The Group is also committed to exploring and pursuing legal avenues where necessary to prevent the possibility of trade restrictions. The Group is closely monitoring political developments around the regulation of combustion engines and their use in urban areas and – if necessary – quickly incorporating any policy changes into R&D planning. In the event of bans being imposed on the use of individual diesel-powered compact and light equipment machines in cities, the Group can already offer its customers alternative solutions from its zero emission portfolio, which it is systematically expanding. → Broad offering of all-electric light and compact equipment, page 51

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

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

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

New regulatory measures and changing customs regulations could have a negative impact on sales of Group products and also cost of sales. In turn, this could increase legal risks to the Group. The Group is countering this risk by implementing measures in good time to ensure compliance with regulatory requirements and safeguard sales of its products.

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

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

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

Accounting for 2 percent of overall risk to the Group, strategic risks remained at the same level as the previous year. The value of anticipated damages has risen slightly relative to the previous year. This development is attributable to the higher risk assessment regarding existing alliances with dealers.

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

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

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

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

The share of personnel risks in the overall risk mix fell to 7 percent in 2020 (2019: 19 percent). The value of anticipated damages in this category is also lower than the previous year. This is attributable to a lower risk assessment regarding potential changes to employment contracts.

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

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

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

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

This risk category's share of overall risk decreased to 4 percent in 2020 (2019: 14 percent). The value of anticipated damages in this category is also lower than the previous year. This is primarily attributable to the lower risk assessment regarding potential delays in product development.

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

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

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

The company uses IT systems in numerous areas. Failure of these systems could negatively impact production and the flow of goods, resulting in loss of revenue. The company is countering this risk through technical and organizational measures, the use of standardized software and by identifying and targeting any known weaknesses or vulnerabilities. It is pursuing a strict project management policy to minimize risks that can occur during the roll-out of global IT systems and to prevent additional costs. The global threat situation in the area of cybercrime remains high. This is primarily due to an increase in the number of incidents and in particular the quality and effectiveness of criminal activity in spite of generally improved security mechanisms across the industry. These cooperative and distributed attacks reach beyond attempts at identity theft to similarly focus on the confidentiality, integrity and availability of data, IT systems and networks of all kinds, and remain a risk to the safety of systems and data at the Wacker Neuson Group. In light of the pandemic and the increased digitalization of products and processes, the Group now faces greater challenges in the field of information security, for example through the increasingly decentralized use of IT-enabled machines and devices.

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

Viewed as a percentage of overall risks, the main risks lie in the operational risk, financial risk and personnel risk categories. Together, these three categories represent around 92 percent of total risk exposure (2019: 79 percent).

The overall risk has increased relative to the previous year. The main reasons for this change stem from the rise in operational risks. This is primarily attributable to the higher assessment of demand risks, which is mainly related to the COVID-19 pandemic, as well as risks associated with the supply of materials on the procurement side. In addition, material price risks rose relative to the previous year. The main risks are listed in this risk report.

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

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

Main non-financial risks

EU Directive 2014/95/EU on the disclosure of non-financial information requires companies to also report on basic non-financial risks arising from their business activities with an impact on environmental, social and employee matters, respect for human rights, anti-corruption and bribery. The Group reports on these basic non-financial risks in its Non-Financial Group report, which is published separately. → Non-financial Group Report 2020, page 30

Opportunity management system

Opportunities relate to internal and external developments that could have a positive impact on the Group. The direct responsibility for identifying and managing opportunities in a timely manner is vested in committees rather than specific individuals. These committees make decisions on matters like strategic projects initiated by the Group in response to changing market and customer requirements. These committees include experts and high-ranking decision-makers from across the Group. The Wacker Neuson Group's decision-making process focuses on opportunities while at the same time taking the associated risks into account. Opportunities should be identified and aligned at an early stage to improve the chances of successful capitalization on those opportunities. Selected potential opportunities for the Wacker Neuson Group are outlined in → Opportunities for future development, page 72 onwards

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

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

Composition of subscribed capital

At December 31, 2020, the company's share capital amounted to EUR 70,140,000.00, divided into 70,140,000 individual no-par-value nominal shares, each representing a proportionate amount of the share capital of EUR 1.00 according to Section 3 (2) of the Articles of Incorporation of Wacker Neuson SE. There is only one type of share; all shares are vested with the same rights and obligations as outlined in detail in particular under Sections 12, 53a, 133 ff. and 186 AktG. The provisions of AktG apply to Wacker Neuson SE in accordance with Section 9 (1) c) ii) and Section 10 of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (referred to as "SE Regulation" in the following), unless otherwise specified in the SE Regulation.

Restrictions affecting voting rights or the transfer of shares

Information on the pool agreement

There is a pool agreement valid until April 2022 between some of the shareholders and companies attributable to the Wacker family (Wacker shareholders) on the one hand, and shareholders and companies of the Neunteufel family on the other (Neunteufel shareholders).

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

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

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

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

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

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

Pool agreement between Mr. Martin Lehner and Neunteufel shareholders

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

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

Direct or indirect participating interests in equity that exceed ten percent of voting rights

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

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

The voting rights held by the below-mentioned shareholders correspond to around 57.7 percent of the share capital. The shareholders are bound to exercise these voting rights under the terms of a reciprocal pool agreement (→ Restrictions affecting voting rights or the transfer of shares, page 65)

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

DIRECT/INDIRECT PARTICIPATING INTERESTS THAT EXCEED 10 PERCENT OF VOTING RIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

Treasury shares

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The promissory notes (Schuldschein) with terms between three and seven years placed by Wacker Neuson SE in February 2017, May 2019 and August 2020 give the respective creditors termination options if third parties acquire at least 50 percent of voting rights in the company. Similar conditions are also contained in the promissory notes (Schuldschein) with terms between five and seven years placed by Wacker Neuson Corporation, USA (a wholly-owned subsidiary of the company) in February 2018.

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

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

There is no such agreement.

Concluding remark

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

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

On March 18, 2021, the Executive Board of Wacker Neuson SE issued a corporate governance declaration pursuant to Section 289f HGB in combination with Section 315d HGB. This can be downloaded from the Wacker Neuson SE website at
→ www.wackerneusongroup.com/en/investor-relations/corporate-governance/declaration-about-corporate-governance

Non-financial Group statement for 2020

Under the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz), Wacker Neuson SE is required to report every year on environmental, social and employee matters, human rights, anti-corruption and bribery. To this end, the Wacker Neuson Group has issued a separate non-financial Group statement in accordance with Section 315b HGB for fiscal 2020. This statement was published at the same time as the Annual Report. The 2020 non-financial Group statement published by the Wacker Neuson Group is also available on the company website at:
→ www.wackerneusongroup.com/investor-relations

Remuneration framework

Information on the Executive Board

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

In future, the law governing implementation of the second shareholders' rights directive (ARUG II) requires that listed companies like Wacker Neuson SE publish a dedicated, joint remuneration report for the Executive Board and the Supervisory Board every year detailing the remuneration paid and owed to current and former members of executive bodies in the past fiscal year in accordance with the remuneration system. The company will publish a remuneration report of this kind for the first time for the current fiscal 2021 in line with legal requirements.

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.

Previous remuneration system up to September 30, 2020

The remuneration for active members of the Executive Board during the period under review who started their activities prior to October 1 comprises:

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

The individual remuneration components are as follows:

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

New remuneration system as of October 1, 2020

The Supervisory Board has applied new remuneration structures for members of the Executive Board who started their duties on or after

October 1, 2020. This step was taken in anticipation of the provisions under the new ARUG-II-compliant remuneration system, which will be submitted to the AGM in May 2021 in line with legal regulations.

Under this new system, remuneration comprises:

- A fixed annual basic salary
- An annual, variable short-term incentive (STI)
- A four-year, variable, share-based long-term incentive (LTI)
- Remuneration in the case of accident, illness or death
- Non-cash remuneration and other additional remuneration
- A contribution-based pension provided through an "Unterstützungskasse" pension fund

The individual remuneration components of this new remuneration system are as follows:

- The fixed annual basic salary will be paid in equal monthly installments.
- The performance criteria for the variable short-term incentive comprise revenue growth, the EBT margin (as a percentage of revenue), the margin for cash flow from operating activities (as a percentage of revenue) and growth in revenue generated by all-electric light and compact equipment (zero emission portfolio).
- The variable long-term incentive constitutes a virtual performance share plan with a vesting period of four years. It is based on the share price of the company as well as additional performance criteria including return on capital employed (ROCE), the development of the share and dividend in relation to the SDAX (relative total shareholder return compared with the SDAX) and a strategic goal that benchmarks the company's market success in certain business fields.
- The proportion of the variable remuneration within the overall direct remuneration package amounts to 60 percent for 100-percent achievement of targets.
- An upper threshold has been agreed for the individual components of variable remuneration and for overall remuneration.
- 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 premiums for accident insurance and the use of a company car.
- Under a contribution-based, indirect pension commitment (provided via an "Unterstützungskasse" pension fund), the members of the Executive Board receive an old-age pension for life upon reaching the age of 65 in line with the benefit plan they have chosen. This may also include an invalidity pension in the event of occupational disability and a widow's and orphan's pension in the event of death.

Special rule for Mr. Kurt Helletzgruber:
The Supervisory Board has appointed Mr. Kurt Helletzgruber to the Executive Board effective December 1, 2020 for a period of seven months. As such, the Supervisory Board has opted for a different remuneration structure to the new remuneration system outlined above that reflects this special situation.

Due to the temporary nature of Mr. Helletzgruber's appointment to the Executive Board, he shall be remunerated for his services in this respect through a consulting agreement concluded with the company Helletzgruber Beratungs- und Beteiligungs-GmbH, Linz, Austria. The remuneration comprises a basic component and a performance-related component. If the company falls short of defined success indicators in fiscal 2021, the Supervisory Board reserves the right to reduce the performance-related component at its own, reasonable discretion (Section 315 BGB). In addition, Mr. Helletzgruber shall also receive suitable reimbursement of expenses, including a flat-rate sum for the use of his private car. Mr. Helletzgruber is not entitled to any other additional benefits such as a pension plan in particular.

Total remuneration for the Executive Board
Total remuneration for the Executive Board in the fiscal year under review amounted to EUR 4.7 million (2019: EUR 4.0 million). Total remuneration for the Supervisory Board amounted to EUR 0.5 million (2019: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed to refrain from itemizing information – up to and including fiscal 2020 for the last time – in line with Section 61 of the SE Regulation in conjunction with Section 285 no. 9a sentences 5 to 8 HGB and Section 314 (1) no. 6a sentences 5 to 8, as well as Section 315a (1) HGB (as amended from time to time), in accordance with Section 286 (5) sentence 1, Section 314 (3) sentence 1, Section 315a (1) HGB.

Information on the Supervisory Board
The remuneration structure for the members of the Supervisory Board is set down in Section 14 of the Articles of Incorporation. It was last amended by the AGM in May 2012. In line with this provision, the fixed remuneration for each individual member of the Supervisory Board amounts to EUR 30,000. The Chairman of the Supervisory Board receives twice this amount, and his/her deputy receives 1.5 times the fixed remuneration. Members of committees receive an additional 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 sales tax that may be due on their remuneration and out-of-pocket expenses. The individual Supervisory Board members shall also be paid a variable remuneration.

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

Supplementary report

Refer to the Notes to the Consolidated Financial Statements (item 30) for information on events since the reporting date, December 31, 2020.

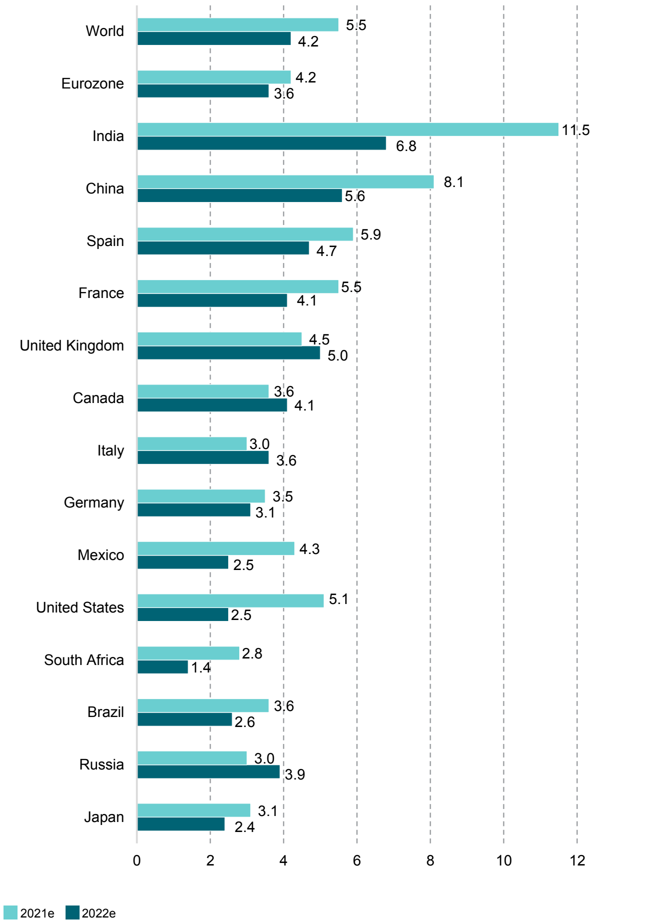
Opportunities and outlook

Overall economic outlook

- Pace of growth to vary by country
- Comparatively moderate growth in industrialized nations

Following the severe 3.5-percent downturn in the global economy in 2020 as a result of the coronavirus pandemic, the International Monetary Fund (IMF) is forecasting growth of 5.5 percent in 2021. According to the experts, the pace of growth will vary from country to country depending on the severity of the public health crisis, general access to healthcare, economic reliance on contact-intensive sectors and the effectiveness of government measures to mitigate negative long-term consequences for the economy. Risks identified by the IMF include new variants of the virus and rising infection rates, which may require the re-introduction of restrictions on people's movements, along with logistical problems with vaccine distribution and vaccine hesitancy.

GLOBAL GDP GROWTH 2021E AND 2022E
AS A %



Source: International Monetary Fund, January 2021

For industrialized countries, the IMF expects a relatively limited drop in production due to the comprehensive fiscal policy measures applied by individual states along with an easing of monetary policies by the central banks. It predicts growth of 4.3 percent for 2021 assuming widespread availability of vaccines during the summer. According to the IMF, the United States will regain its late-2019 level of activity as soon as the second half of 2021, boosted among other things by the stimulus package agreed at the end of December 2020. Activity in the eurozone and in the UK is likely to remain below this level until 2022, however. For the USA, the IMF is predicting gains of 5.1 and 2.5 percent for 2021 and 2022 respectively. GDP growth for the eurozone meanwhile is predicted to reach only 4.2 percent for 2021, followed by 3.6 percent in 2022. The IMF experts attribute the slower pace of growth in the eurozone to the downturn in the economy at the end of 2020 as a result of rising COVID-19 infection rates and the associated re-introduction of restrictions, set to remain in place into 2021.

China, which had successfully used containment measures to get the coronavirus pandemic under control comparatively quickly, was – at 2.3 percent – the only country to record growth in 2020. For 2021 and 2022, the IMF expects growth to continue at the respective rates of 8.1 and 5.6 percent, boosted by public investment, measures to maintain disposable income for households and central bank liquidity support.

Outlook for construction and agricultural industries

- Signs of recovery in construction sector following slump in activity caused by the coronavirus
- US rental industry expects growth spurt from 2022, European rental industry optimistic for 2021
- Positive mood in the European agricultural equipment sector

Construction on the road to recovery following historic collapse
The global construction industry is showing signs of recovery following an historic collapse in activity in the second quarter of 2020 caused by far-reaching restrictions aimed at containing COVID-19. Construction activity increased in many important markets from the third quarter of 2020. Despite the re-introduction of restrictions in the second half of the year due to a further spike in COVID-19 infections, construction activity was generally able to continue. The impending roll-out of vaccines reduces the risk of a repeat of the damaging 2020 interruption. Against this background, GlobalData is predicting global construction activity growth of 4.5 percent for 2021.

The short-term outlook for the European construction sector is along similar lines. According to Euroconstruct, production output in the construction industry will increase by 4.1 percent in 2021. In Germany, however – where the coronavirus pandemic had a much less severe impact on construction activity in 2020 – the market is predicted to contract slightly in 2021.

For the construction equipment sector, experts from the German Engineering Federation (VDMA) expect the market to return to a low level of growth in 2021 following the steep declines of 2020, predicting around 5 percent growth for both the global and the European markets. This will be driven by the ongoing highly favorable investment climate and the positive outlook for almost all customer segments, including general construction, gardening and landscaping, and rental.

The potential obstacles include delays in awarding contracts, a reluctance by the public sector to invest after accumulating significant new debt burdens, and a slowdown in the urbanization process over the longer term. The VDMA expects revenue for Germany to be at the same level as 2020.

The business barometer of the Committee for European Construction Equipment (CECE) reached its highest level in 16 months in December 2020, with optimistic expectations for the future at a level last seen more than two years ago. The European construction equipment manufacturers rated the outlook for North America, France and Eastern Europe as especially positive.

The American Rental Association (ARA) is cautiously optimistic about the next few years. Following on from a modest recovery in 2021, it is expecting growth rates in the high single-digit percentage range from 2022. The European Rental Association (ERA) is expressing early optimism for 2021, forecasting growth of 4.8 percent. This reflects a slight improvement relative to 2020 in what nonetheless remains a reluctant investment climate.

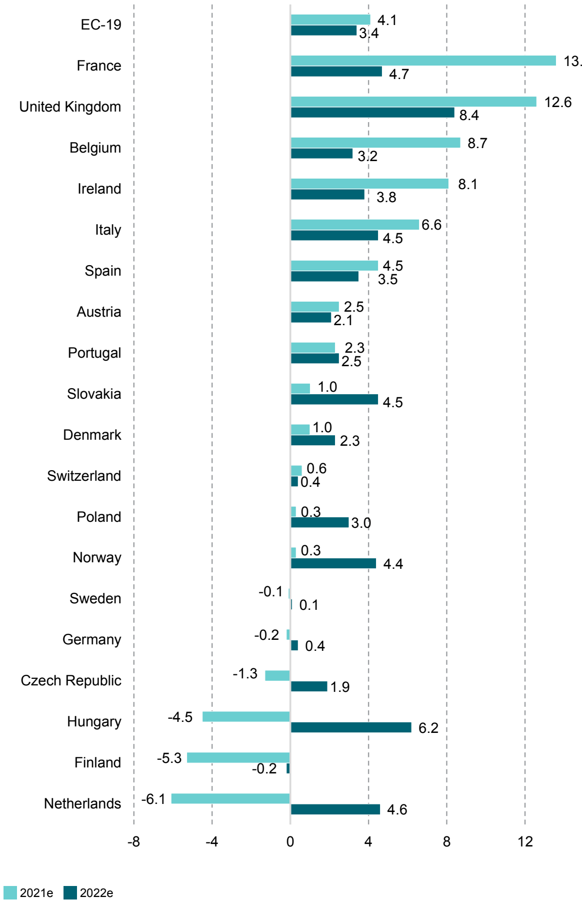
Positive mood in the European agricultural equipment sector

The business barometer published by the European umbrella association for the agricultural machinery industry (CEMA) had already exceeded pre-coronavirus indicators by September and continued to improve up to the year's end to reach its highest level in more than two years. For 2021, European industry experts are estimating revenue growth of around 4 percent – a noteworthy projection to the extent that this sector reported almost no revenue losses in 2020 with a generally flat growth path predicted for the year as a whole. Market confidence is steady in the principal markets of Germany, France and Italy in particular, although the outlook for the UK and Eastern Europe is more negative. European agricultural machinery manufacturers expect growth impetus to come from markets like North America, for example. Order intake in the fourth quarter was very satisfactory, with November orders reaching the highest recorded level for that month. According to the agribusiness barometer of the auditing firm EY, there was on average a double-digit increase in order intake in Germany during the fourth quarter. At the same time, the readiness to invest among agricultural landholders and contractors was rated as encouragingly high for 2021.

The German Farmers' Association assessed the situation of landholders as critical. A large number of holdings were deemed to be in a difficult economic situation at the end of 2020. This is attributed to unsatisfactory agricultural prices for most produce, especially meat. Prices have collapsed due to the closure of hospitality businesses during lockdown and the continuing ban on large gatherings. The second half of the year was also hurt by the absence of price-stabilizing exports to third countries in Asia due to African Swine Fever. The price of milk is also seriously jeopardized by Brexit given that the UK is a net importer of dairy products and therefore crucial for ensuring a stable dairy market in the European Union.

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

PROJECTED DEVELOPMENT OF THE EUROPEAN CONSTRUCTION SECTOR: 2021E AND 2022E



Source: Euroconstruct, December 2020.

Opportunities for future development

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

Megatrends drive business performance

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

- Population growth: By 2050, the world's population will have grown from nearly 8 billion today to nearly 10 billion. This will push up global demand for food and other basic necessities. In addition, investments will continue to be made in road, rail and telecommunication networks as well as in the modernization of buildings, fueling increased demand for compact and light equipment.
- Increased prosperity: In developing and emerging economies in particular, greater purchasing power and rising demand from new groups of consumers will lead to more construction activity. At the same time, wage growth will further drive mechanization in the construction and agricultural sectors.
- Urbanization: By the year 2050, around two thirds of the world's population will be living in cities. Megacities with populations of over

10 million will be facing the greatest challenges in terms of construction, housing and infrastructure. This will further drive demand worldwide for versatile, compact construction equipment.
- Climate change: Global warming and air pollution are increasingly being seen as global problems that call for stronger multilateral cooperation and national-level policies. Shifting perceptions are also being powered by social movements such as Fridays for Future and the coronavirus pandemic, which has led to greater awareness of the state of our planet. The ambitious goals set out in the EU's Green Deal highlight the increasing importance of the renewable energy and electric mobility trends for the construction and agricultural equipment industries.

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

The Wacker Neuson Group is already able to offer its customers a broad portfolio of electrically powered light and compact equipment. All three Group brands offer zero emission products, which are proving popular among customers. Their current share of overall Group revenue is still comparatively low. In light of the ambitious goals set out in the EU's Green Deal, however, the construction sector can also expect to be subject to more stringent regulations over the coming years. Enabled in part by the further advancements in battery technologies currently anticipated, all-electric light and compact equipment are expected to experience a strong increase in market uptake. As such, the Group will continue to make targeted investments to expand its portfolio of all-electric machines.

Systematic implementation of Strategy 2022

Unveiled in March 2018, the aim of Strategy 2022 is to ensure that the company is focused 100 percent on its customers' needs. It is designed to make the Group more streamlined and more agile. Guided by the initiative's three strategic pillars of "focus", "acceleration" and "excellence", the Group aims to further expand its market positions while at the same time driving growth and increasing profitability. Amidst the major uncertainties that shaped 2020, these pillars provided important guidance for the entire organization, giving the Executive Board, managers and team members an overarching framework for initiating and implementing appropriate measures. After experiencing a sharp dip in its growth path in 2020 – following three years of double-digit growth in fiscal 2017, 2018 and 2019 – the Wacker Neuson Group is forecasting a one- or two-year delay in achieving the medium-term goals set out in the Strategy 2022 plan. The Group is aiming to increase its revenue to over EUR 2 billion and to achieve an EBIT margin of over 11 percent. In addition, the intention is to reduce net working capital to 30 percent of revenue or lower.

Focus

Focus for the Wacker Neuson Group means optimizing its portfolio of competitive construction and agricultural equipment by concentrating on core products for mature markets. According to data from the market research institute Off-Highway Research, compact equipment such as mini excavators will increase their share of the total market over the coming years, in particular in North America and China. This opens up growth opportunities for the Group's core products. Vehicle electrification is also gaining in importance and the Group has carved out a pioneering position in this area. The objective is to win a bigger share of the international market. To strengthen its focus here, the Group also aligned its sales organization in 2020, following on from the successful consolidation of its production footprint in recent years. This involved streamlining internal structures to align value-adding activities more closely with customer needs.

Acceleration

Faster innovation cycles and rising customer expectations call for **acceleration**. Digital services are becoming increasingly important, machines are working (semi-)autonomously or with assistance systems, and networked construction sites are becoming more common. Wacker Neuson recognizes these trends as an opportunity to shape the future and increase responsiveness to customer needs. Since product-based differentiation is becoming increasingly challenging, the Group sees the need to complement its traditional products with innovative and future-proof business models. The company is transitioning from an equipment manufacturer to a full-service and solution provider. In fiscal 2020, the Group added new features to its telematics-based "EquipCare" proactive fleet management solution. It also started to develop a digital fleet sharing solution for the US market. Refer to → Other factors that impacted on results: Sales, service and marketing, page 55. In the area of automation, development work was stepped up on products like autonomous vibratory plates.

TRENDS DRIVING GROUP BUSINESS

Construction industry

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

Agriculture and other sectors

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

Excellence

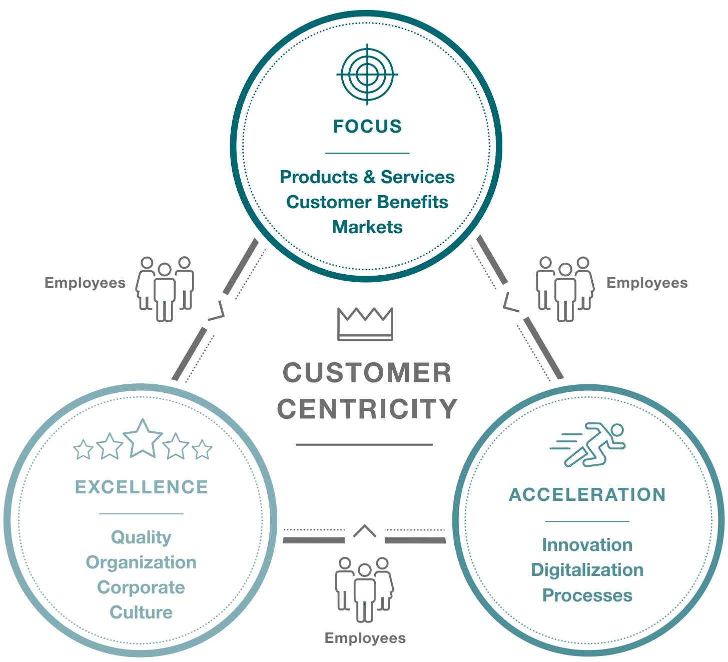
Striving for even greater operational **excellence**, the Wacker Neuson Group aims to continuously improve the high quality of its products, processes and workflows in all departments as part of Strategy 2022. Looking beyond the streamlining of internal structures to accelerate and improve workflows, the Wacker Neuson Group has identified ongoing talent development, the promotion of commitment and agility, and teamwork as key success factors. Wacker Neuson is also focusing on the international roll-out of the spare parts and service organization to deliver an even better aftermarket experience for its customers and expand this promising business segment step by step. To make the organization faster and more efficient, the Group launched the “Xto1” organizational project in fiscal 2020. The aim of this reorganization is to eliminate and/or standardize redundant structures and processes, streamline reporting lines, improve cross-functional collaboration and give stronger momentum to the Group’s innovative capabilities.

Vision 2022

By 2022, the Wacker Neuson Group wants to be one of the TOP 3 competitors in terms of market share for its core products in compaction, worksite technology, concrete technology and compact equipment. After experiencing a sharp dip in its growth path in 2020 – following three years of double-digit growth in fiscal 2017, 2018 and 2019 – the Wacker Neuson Group is forecasting a one- or two-year delay in achieving the medium-term goals set out in the Strategy 2022 plan. The Group is aiming to increase its revenue to over EUR 2 billion and to achieve an EBIT margin of over 11 percent. The goal of reducing net working capital to 30 percent of revenue or lower was almost achieved by the end of 2020.

STRATEGY 2022

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



Guidance

Expected development of revenue and profit
Following the severe downturn in the global economy in 2020 as a result of the coronavirus pandemic, the International Monetary Fund (IMF) is forecasting renewed growth in 2021. Forecasts for the global construction industry are also positive, although the outlook for the German construction equipment market is more modest amid a period of stabilization. Sentiment in the European agricultural sector was largely positive at the start of 2021.

In both the third and fourth quarters of 2020, the Group's order intake was higher than in the previous year. The order book at the start of 2021 was well above the previous year's level. Significant uncertainties still exist with respect to the future course of the COVID-19 pandemic and the related effects on customer demand as well as the global supply chains of the Group, which were already under considerable pressure at the start of the year in some areas.

Taking into consideration the overall economic outlook and sectoral trends outlined above as well as the opportunities and risks arising for the Wacker Neuson Group, the Executive Board expects to achieve revenue for fiscal 2021 of between EUR 1,700 and 1,800 million (2020: EUR 1,615.5 million). The EBIT margin is expected to lie between 8.0 and 9.5 percent (2020: 4.7 percent).

GUIDANCE

	2021e	2022e
Revenue	€1,700 to 1,800 m	Growth
EBIT margin	8.0 to 9.5%	Improvement
Net working capital as a % of revenue	Stagnating to slightly lower than prior year	Stable
Investments	€100 to 110 million	Adapted to market developments

Segment trends
The Executive Board expects to see growth in 2021 not just in all three reporting regions but also across all three business segments of light equipment, compact equipment and services.

Planned development in investments and net working capital
The Group intends to continue investing in profitable projects and develop its affiliates further. For fiscal 2021, the figure earmarked for investments in property, plant and equipment and intangible assets is EUR 100 to 110 million (2020: EUR 86.9 million).[1] In addition to investments to replace existing equipment, this includes in particular investments in the European production network, which will help the Group lay the foundations for further growth.

The Executive Board expects the net working capital ratio (net working capital expressed as a percentage of revenue) to be stagnant or to improve slightly relative to December 31, 2020 (2020: 30.8 percent).

The Wacker Neuson Group's financials and assets together with its strong market positions provide an ideal basis for winning market shares and ensuring profitable growth over the coming years. The Executive Board plans to maintain an equity ratio of well over 50 percent (2020: 57.3 percent). The Group is also open to the possibility of further partnerships and acquisitions.

Outlook through 2022
Taking into consideration the general conditions, opportunities and risks described above and assuming positive development of the global economy, the Executive Board, based on the information currently available, expects revenue and profitability to grow in fiscal 2022.

Summary outlook for the development of Wacker Neuson SE and the Group

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

In fiscal 2021, the Executive Board expects revenue between EUR 1,700 and 1,800 million, as well as an EBIT margin between 8.0 and 9.5 percent. Revenue growth and a rise in profitability are expected for fiscal 2022.

The Group's actual development may deviate from the forecasts either positively or negatively based on the opportunities and risks described in this report or in the event that the assumptions made by the Executive Board do not materialize.

Munich, March 18, 2021

Wacker Neuson SE, Munich

The Executive Board

Kurt Helletzgruber
Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Alexander Greschner
Chief Sales Officer (CSO)

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

Consolidated Financial Statements

Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2020	Jan. 1 – Dec. 31, 2019
Revenue	(1)	1,615.5	1,901.1
Cost of sales		-1,215.2	-1,426.2
Gross profit		**400.3**	**474.9**
Sales and service expenses		-227.7	-224.8
Research and development expenses		-32.5	-36.9
General administrative expenses		-71.4	-75.8
Other income	(2)	18.6	17.6
Other expenses	(4)	-11.8	-1.9
Profit before interest and tax (EBIT)		**75.5**	**153.1**
Financial income	(5a)	9.2	5.6
Financial expenses	(5b)	-30.9	-21.2
Profit before tax (EBT)		**53.8**	**137.5**
Taxes on income	(6)	-39.7	-49.0
Profit for the period		**14.1**	**88.5**
Of which are attributable to:			
Shareholders in the parent company		14.1	88.5
Earnings per share in € (diluted and undiluted)	**(7)**	**0.20**	**1.26**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2020	Jan. 1 – Dec. 31, 2019
Profit for the period		**14.1**	**88.5**
Other income			
Income to be recognized in the income statement for subsequent periods			
Exchange differences		-13.1	5.8
Cash flow hedges		-0.2	-2.4
Effect of taxes on income		-0.1	0.4
Income to be recognized in the income statement for subsequent periods		**-13.4**	**3.8**
Income not to be recognized in the income statement for subsequent periods			
Actuarial gains/losses from pension obligations		-4.7	-10.6
Effect of taxes on income		1.1	2.9
Financial assets measured at fair value through other comprehensive income		-4.0	-0.4
Income not to be recognized in the income statement for subsequent periods	**(18)**	**-7.6**	**-8.1**
Other comprehensive income after tax		**-21.0**	**-4.3**
Total comprehensive income after tax		**-6.9**	**84.2**
Of which are attributable to:			
Shareholders in the parent company		-6.9	84.2

Consolidated Balance Sheet

BALANCE AT DECEMBER 31

IN € MILLION

	Notes	Dec. 31, 2020	Dec. 31, 2019 adjusted
Assets			
Property, plant and equipment	(8)	391.6	400.3
Property held as financial investment	(9)	26.2	25.3
Goodwill	(10a)	228.6	237.8
Other intangible assets	(10b)	178.9	165.9
Investments	(29)	6.8	11.5
Deferred tax assets	(6)	29.4	38.3
Non-current financial assets	(11)	109.7	144.7
Other non-current non-financial assets	(11)	–	0.1
Total non-current assets		**971.2**	**1,023.9**
Rental equipment	(12)	159.5	166.1
Inventories	(13)	412.2	602.5
Trade receivables	(14)	222.4	309.3
Tax offsets	(6)	12.2	4.3
Other current financial assets	(15)	45.5	23.6
Other current non-financial assets	(15)	16.5	19.7
Cash and cash equivalents	(16)	283.1	46.3
Non-current assets held for sale	(17)	4.2	0.9
Total current assets		**1,155.6**	**1,172.7**
Total assets		**2,126.8**	**2,196.6**
Equity and liabilities			
Subscribed capital	(18)	70.1	70.1
Other reserves	(18)	562.2	583.2
Net profit/loss		585.8	571.7
Equity		**1,218.1**	**1,225.0**
Long-term financial borrowings	(21)	411.6	372.4
Long-term lease liabilities	(26)	57.1	66.9
Deferred tax liabilities	(6)	43.9	36.8
Provisions for pensions and similar obligations	(19)	64.8	61.8
Long-term provisions	(20)	9.8	7.9
Long-term contract liabilities	(24)	5.0	3.9
Total non-current liabilities		**592.2**	**549.7**
Trade payables	(22)	137.1	149.9
Short-term liabilities to financial institutions	(21)	9.2	112.4
Current portion of long-term borrowings	(21)	0.2	0.5
Short-term lease liabilities	(26)	25.7	25.2
Short-term provisions	(20)	19.0	17.6
Short-term contract liabilities	(24)	5.1	5.5
Income tax liabilities	(6)	32.8	19.0
Other current financial liabilities	(23)	38.5	41.7
Other current non-financial liabilities	(23)	48.9	50.1
Total current liabilities		**316.5**	**421.9**
Total liabilities		**2,126.8**	**2,196.6**

The presentation of several items on the Consolidated Balance Sheet has been modified relative to the previous year as a result of a new line differentiating between long-term and short-term lease liabilities, and the correction of an error related to non-current receivables. Refer to the note "Changes in accounting under IFRS" for further information. → Page 88

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Sub-scribed capital	Capital reserves	Exchange differ-ences	Other neutral changes	Net profit/ loss	Equity
Balance at December 31, 2018	**70.1**	**618.7**	**-11.6**	**-19.6**	**563.8**	**1,221.4**
First adoption IFRS 16	–	–	–	–	-3.4	-3.4
Balance at January 1, 2019	**70.1**	**618.7**	**-11.6**	**-19.6**	**560.4**	**1,218.0**
Profit for the period	–	–	–	–	88.5	88.5
Other income	–	–	5.8	-10.1	–	-4.3
Total comprehensive income	**–**	**–**	**5.8**	**-10.1**	**88.5**	**84.2**
Dividends	–	–	–	–	-77.2	-77.2
Balance at December 31, 2019	**70.1**	**618.7**	**-5.8**	**-29.7**	**571.7**	**1,225.0**
Balance at January 1, 2020	**70.1**	**618.7**	**-5.8**	**-29.7**	**571.7**	**1,225.0**
Profit for the period	–	–	–	–	14.1	14.1
Other income	–	–	-13.1	-7.9	–	-21.0
Total comprehensive income	**–**	**–**	**-13.1**	**-7.9**	**14.1**	**-6.9**
Balance at December 31, 2020	**70.1**	**618.7**	**-18.9**	**-37.6**	**585.8**	**1,218.1**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2020	Jan. 1 – Dec. 31, 2019 adjusted
EBT		**53.8**	**137.5**
Adjustments to reconcile profit before tax with gross cash flows:			
Depreciation, amortization and impairment of non-current assets		88.3	63.3
Unrealized foreign exchange gains/losses		10.5	-10.2
Financial result	(5)	21.7	15.6
Gains from the sale of intangible assets and property, plant and equipment		-3.9	-0.6
Changes in rental equipment, net		5.2	-14.9
Changes in misc. assets		3.3	-48.5
Changes in provisions		2.5	2.4
Changes in misc. liabilities		1.5	12.7
Gross cash flow		**182.9**	**157.3**
Changes in inventories		172.2	-42.5
Changes in trade receivables		78.6	-18.9
Changes in trade payables		-11.5	-64.0
Changes in net working capital		**239.3**	**-125.4**
Cash flow from operating activities before income tax paid		**422.2**	**31.9**
Income tax paid		-17.2	-52.8
Cash flow from operating activities		**405.0**	**-20.9**
Purchase of property, plant and equipment	(8)	-48.0	-50.5
Purchase of intangible assets	(10)	-38.9	-38.7
Purchase of investments		-0.6	-9.3
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale		9.5	3.7
Proceeds from disposals from the consolidation group		2.0	–
Cash flow from investment activities		**-76.0**	**-94.8**
Free cash flow		**329.0**	**-115.7**
Dividends	(18)	–	-77.2
Cash receipts from short-term borrowings		30.0	172.0
Repayments from short-term borrowings		-137.4	-95.1
Cash receipts from long-term borrowings		50.0	150.0
Repayments from lease liabilities	(26)	-23.4	-19.8
Interest paid		-12.6	-14.2
Interest received		1.8	2.2
Cash flow from financial activities		**-91.6**	**117.9**
Change in cash and cash equivalents before effect of exchange rates		**237.4**	**2.2**
Effect of exchange rates on cash and cash equivalents		0.7	0.3
Change in consolidation group		-1.3	–
Change in cash and cash equivalents		**236.8**	**2.5**
Cash and cash equivalents at the beginning of the period	**(16)**	**46.3**	**43.8**
Cash and cash equivalents at the end of period	**(16)**	**283.1**	**46.3**

Consolidated Segmentation

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

Consolidated Segmentation is part of the Notes to the Consolidated Financial Statements (see item 31, → page 135).

SEGMENTATION (GEOGRAPHICAL SEGMENTS)

IN € MILLION

	Europe	Americas	Asia-Pacific	Consolida-tion	Group
2020					
Segment revenue					
Total revenue	2,008.2	390.5	70.8		2,469.5
Less intrasegment sales	-627.1	-107.6	-8.6		-743.3
	1,381.1	282.9	62.2		1,726.2
Intersegment sales	-91.4	-12.5	-6.8		-110.7
Revenue from external customers	**1,289.7**	**270.4**	**55.4**		**1,615.5**
EBIT	**129.1**	**-63.7**	**-4.3**	**14.4**	**75.5**

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

The consolidation effect recognized and not assigned to the segments mainly comprises the elimination of interim profit on inventories and rental equipment. Changes compared to the previous year are the result of a significant reduction in intercompany inventory.

SEGMENTATION (BUSINESS SEGMENTS)

IN € MILLION

	2020	2019
Segment revenue from external customers		
Light equipment	351.8	485.3
Compact equipment	878.9	1,052.8
Services	399.0	382.5
	1,629.7	1,920.6
Less cash discounts	-14.2	-19.5
Total	**1,615.5**	**1,901.1**

Geographical areas

REVENUE ACCORDING TO COMPANY LOCATION

IN € MILLION

	2020	2019
Germany	741.0	767.1
USA	185.6	345.3
Austria	109.3	129.4
Other	579.6	659.3
Wacker Neuson overall	**1,615.5**	**1,901.1**

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

	2020	2019
Germany	361.0	324.6
Austria	362.3	358.4
USA	39.8	63.3
Other	62.2	83.1
Wacker Neuson overall	**825.3**	**829.4**

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

Notes to the Consolidated Financial Statements

General information on the company

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

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

General information on accounting standards

The following Consolidated Financial Statements for fiscal 2020 were prepared for the company in accordance with the International Accounting Standards (IAS) as approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) as interpreted by the IFRS Interpretation Committee (IFRS IC) as adopted by the EU, and in supplementary compliance with the provisions set forth in Section 315e (1) of the German Commercial Code (HGB). All valid and binding standards for fiscal 2020 have been applied.

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

Wacker Neuson SE's fiscal year corresponds to the calendar year. The Consolidated Financial Statements for fiscal 2020 (which include prior-year figures) were approved for publication by the Executive Board on March 18, 2021.

Changes in accounting under IFRS

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

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

Name	Description	Mandatory [1]
EU endorsement issued by the date of release for publication		
Conceptual framework	Amendments to the conceptual framework for the preparation and disclosure of financial statements	Jan. 1, 2020
IAS 1 and IAS 8	Amendments to IAS 1 and IAS 8: Definition of materiality	Jan. 1, 2020
IFRS 9, IAS 39 and IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Potential effects of the IBOR reform on financial reporting	Jan. 1, 2020
IFRS 3	Amendments to IFRS 3: Definition of a business	Jan. 1, 2020
IFRS 16	Amendments to IFRS 16: COVID-19-related rent concessions	Jun. 1, 2020

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

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

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

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

Furthermore, the amendments clarify the meaning of “primary users of general-purpose financial statements” by defining these as “existing and potential investors, lenders and other creditors” who rely for the most part on the information provided in financial results to obtain the financial information they need. The initial application of these amendments did not have a material impact on the accounting and valuation methods used by the Group.

IFRS 9, IAS 39 and IFRS 7 (IBOR reform)
The Group applied these hedge accounting exemptions early for fiscal 2019. For details in relation to interest rate hedging of the USD promissory note (Schuldschein), refer to item 29, “Additional information on financial instruments”, in the Notes to the Consolidated Financial Statements in the 2019 Annual Report.

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

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

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

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

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

Lessees applying the practical expedient are required to disclose that fact and the amounts recognized in profit or loss resulting from the COVID-19-related rent concessions in the notes to the financial statements. Lessees who choose to apply this practical expedient must apply it uniformly to all leases with similar characteristics and under similar circumstances. Lessees are required to apply the exemption retrospectively in accordance with IAS 8, but are not required to restate prior-year figures. These amendments did not have any impact on the Group’s consolidated financial statements and are not relevant from a materiality perspective. The Group did not avail of this practical expedient.

Standards and interpretations that have been published but not yet applied

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

Name	Description	Mandatory [1]
EU endorsement issued by the date of release for publication		
IFRS 4	Amendments to IFRS 4: Insurance contracts – deferral of IFRS 19	Jan. 1, 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR reform and its effects on financial reporting – Phase 2	Jan. 1, 2021
EU endorsement still outstanding		
	Amendments to IFRS 3: Business combinations IAS 16: Property, plant and equipment IAS 37: Provisions, contingent liabilities and contingent assets Annual improvements (2018–2020)	Jan. 1, 2022
IFRS 17	Insurance contracts	Jan. 1, 2023
IAS 1	Amendments to IAS 1: Classification of liabilities as current or non-current	Jan. 1, 2023

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: IBOR reform and its effects on financial reporting – Phase 2
The IASB has published the paper Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) addressing issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark interest rates.

The amendments are intended to support preparers of financial statements in providing useful information associated with the upcoming changes relating to the IBOR reform. They supplement the requirements from the first phase of the project and essentially apply to the replacement of a reference interest rate with another reference interest rate.

With regard to the disclosure of financial instruments, the following aspects are particularly affected:

- In the event of changes to contractual cash flows, it may not be necessary to adjust or derecognize the carrying amount of financial instruments on the basis of the amendments. Rather, under

certain circumstances, there is the option of adjusting the effective interest rate to reflect the change in the alternative reference interest rate.
- With regard to hedge accounting, a company will not necessarily need to discontinue a hedging relationships designated as such due to adjustments required by the IBOR reform.
- Furthermore, entities will be required to disclose information about new risks arising from the reform as well as about their management of the transition to alternative reference rates.

In addition to the amendments to IFRS 9, IAS 39 and IFRS 7, the IASB also adopted minor amendments to IFRS 4 and IFRS 16. The Group believes that initial application of these amendments will not have any material effect on its Consolidated Financial Statements.

Amendments to IFRS 3, IAS 16, IAS 37 and annual improvements 2018–2020

IFRS 3 has been updated so that the references now relate to the current 2018 financial reporting framework. For obligations that fall within the scope of IAS 37, the amendments also include a requirement for the acquirer to apply IAS 37 to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy within the scope of IFRIC 21, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit clarification that the acquirer must not recognize contingent assets acquired in a business combination.

The amendments to IAS 16 now explicitly prohibit the deduction of any net proceeds from the cost of an item of property, plant and equipment. If goods are manufactured while an item of property, plant and equipment is being brought to the location or condition necessary for it to be capable of operating in the manner intended by management, an entity recognizes the proceeds from the sale of such goods and the cost of the goods through profit or loss in accordance with the relevant standards. The requirements of IAS 2 apply to the measurement of production costs. Costs for testing to check whether the asset is functioning properly continue to be an example of directly attributable costs. The amendments now clarify that assessment of the technical and physical performance of an asset means assessing whether the asset is capable of producing or delivering goods or services, of being rented to third parties, or being used for administrative purposes. Furthermore, additional disclosures are now required in the notes regarding income and costs recognized in the income statement from the disposal of goods produced during testing that are not incurred in the ordinary course of the entity's activities. The respective amounts must be disclosed, as well as the items in which they are included. This is only not required if they are disclosed separately in the statement of comprehensive income. The amended requirements apply retrospectively only to property, plant and equipment placed in the location or condition necessary for it to be capable of operating in the manner intended by management at or after the beginning of the earliest comparative period to the reporting period in which the amendments are first applied. An entity recognizes the cumulative effect of initial application in retained earnings (or another appropriate component of equity) in the opening balance sheet of the earliest reporting period presented.

The amendments to IAS 37 specify the scope of fulfillment costs for onerous contracts. All directly attributable costs are to be considered as fulfillment costs, i.e., the incremental costs of fulfilling the contract (such as directly attributable labor and material costs) and an allocation of other costs that relate directly to fulfilling the contract (such as pro rata depreciation of property, plant and equipment used to fulfill multiple contracts). The amendments are applicable to contracts for which not all obligations have been settled at the effective date. The comparative information is not to be restated; instead, the cumulative effect of initial application is recognized in retained earnings (or another appropriate equity item) in the opening balance sheet.

The IASB issued annual improvements to IFRS 2018–2020 on May 14, 2020 and amended the following standards:

- IFRS 1, First-time adoption of International Financial Reporting Standards, with specific guidance on accounting for subsidiaries.
- IFRS 9, Financial instruments, with amendments to the "10% test" relating to derecognition of financial liabilities. In the "10% test", an entity considers only fees paid or received between that entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16, with clarifications on accounting for lease incentives.
- IAS 41, Agriculture.

The Group believes that initial application of these amendments will not have any material impact on its accounting and valuation methods.

Amendments to IAS 1: Classification of liabilities as current or non-current

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

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

A right to defer that is dependent on certain conditions being fulfilled requires that the conditions be fulfilled at the reporting date. The right to defer only exists if this is the case. A liability shall be classified as current if the conditions for a deferral are breached on or before the reporting date, even if a creditor waives the fulfillment of the condition after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

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

The Group believes that initial application of these amendments will not have any material impact on its accounting and valuation methods.

Initial application of the standards and interpretations not specifically described is unlikely to substantially change the current accounting and valuation methods used by the Group.

Changes to accounting and valuation methods

New balance sheet items: “Current contract liabilities” and “Non-current contract liabilities” (see also page 86 ff. in the 2019 Annual Report)
In addition to fixing defects that existed at the time of sale, the Group provides extended warranties (contract liabilities). These service-type warranties are sold either separately or bundled together with the sale of light or compact equipment. In addition, as part of telematics transactions, the Group also provides services over a period, which customers mostly pay for in advance. Since fiscal 2019, the Group has been increasingly promoting these types of business models in order to actively build customer loyalty. As a result of increasing materiality, a separate balance sheet item “Contract liabilities” was added in fiscal 2019 for contract liabilities from such business agreements. In fiscal 2020, the balance sheet item “Contract liabilities” was divided into two separate balance sheet items for current and non-current contract liabilities. This is a method change within the scope of IAS 8, so the figures for the previous year were adjusted accordingly. This constitutes a change in reporting and has no effect on income.

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

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

Measuring an investment as a financial asset at fair value recognized in the income statement
The Group has a minority shareholding in Austria, which invests specifically in innovative start-ups. In the previous year, this investment was allocated to financial assets measured at fair value through other comprehensive income (equity instruments). A review of the company’s corporate legal relationships has shown that the legal equity of the company should be classified not as equity but as a liability under the provisions of IAS 32. Consequently, classification under financial assets measured at fair value through other comprehensive income (equity instruments) is no longer applicable. Instead, from now on, the investment will be classified under financial assets at fair value recognized in the income statement. It will continue to be reported under the balance sheet item “Investments”. Changes in fair value are recognized in the income statement. In the previous year, an impairment loss in the amount of EUR 0.4 million was recognized on this investment and reported under other comprehensive income. However, due to its immateriality for the Group, the previous year’s figures have not been adjusted; instead, the correction was made in the year under review and resulted in the reclassification of EUR 0.4 million from “Other neutral changes” (part of “Other reserves”) to financial expenses and thus to an effect on earnings in the same amount.

Reporting non-current receivables
For sales support reasons, the Group grants selected dealers payment terms of over one year. The associated non-current receivables are reported in the “Non-current financial assets” balance sheet line as long as the amount is not due within the next year. If the due date falls within the next year, the current portion is moved to the “Trade receivables” balance sheet line. For fiscal 2019, a correction was made in this regard. Non-current receivables (due date of over one year) in the amount of EUR 49.8 million were incorrectly reported in the “Trade receivables” balance sheet line and therefore classified as current.

CONSOLIDATED BALANCE SHEET – AMOUNTS OF THE CORRECTION
IN € MILLION

	Dec. 31, 2019 adjusted	Change	Dec. 31, 2019
Non-current financial assets	144.7	49.8	94.9
Trade receivables	309.3	-49.8	359.1

CONSOLIDATED CASH FLOW STATEMENT – AMOUNTS OF THE CORRECTION
IN € MILLION

	Dec. 31, 2019 adjusted	Change	Dec. 31, 2019
Change in other assets	-48.5	-32.9	-15.6
Change in trade receivables	-18.9	32.9	-51.8

Closing date

The closing date for all Group members included in the Consolidated Financial Statements is December 31 of the respective year. The current accounting period is January 1, 2020 through December 31, 2020.

Consolidation structure → see page 89

In addition to the parent company, Wacker Neuson SE, the Consolidated Financial Statements as at December 31, 2020 include the following affiliates controlled by the Group. The Group is deemed to control a company if it carries the risks associated with or the rights to fluctuating returns on its shareholding in the company, and if it can also use its power of control over the company to influence these returns. As a rule, control is exercised through the following shareholdings:

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a %		Equity IN K€	Segment
					direct	indirect		
	Germany							
1	Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen	PXX	Germany	100		71.600	Europe
2	Wacker Neuson PGM Verwaltungs GmbH	Reichertshofen	Other	Germany		100	36	Europe
3	Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich	SXX	Germany	100		45.493	Europe
4	Wacker Neuson SGM Verwaltungs GmbH	Munich	Other	Germany		100	34	Europe
5	Wacker Neuson Aftermarket & Services GmbH	Munich	Logistics	Germany	100		31.535	Europe
6	Weidemann GmbH	Diemelsee-Flechtdorf	PXX	Germany	100		66.465	Europe
7	Kramer-Werke GmbH	Pfullendorf	PXX	Germany	5	90	92.926	Europe
8	Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf	Other	Germany		95	7.120	Europe
9	Wacker Neuson Grundbesitz Verwaltungs GmbH	Pfullendorf	Other	Germany		95	29	Europe
10	Wacker Neuson Immobilien GmbH	Überlingen	Other	Germany		95	3.160	Europe
	Rest of Europe							
11	Wacker Neuson S.A.S.	Brie-Comte-Robert (near Paris)	SXX	France	100		7.134	Europe
12	Wacker Neuson Ltd.	Stafford (near Birmingham)	SXX	UK	100		17.440	Europe
13	Wacker Neuson srl con socio unico	San Giorgio	SXX	Italy	100		2.166	Europe
14	Wacker Neuson B.V.	Amersfoort	SXX	Netherlands	100		2.854	Europe
15	Wacker Neuson Belgium BVBA	Asse-Mollem	SXX	Belgium		100	1.753	Europe
16	Wacker Neuson AS	Hagan (near Oslo)	SXX	Norway	100		-594	Europe
17	Wacker Neuson Beteiligungs GmbH	Hörsching (near Linz)	Holding	Austria	100		154.081	Europe
18	Wacker Neuson Linz GmbH	Hörsching (near Linz)	PXX	Austria		100	177.359	Europe
19	Wacker Neuson Kragujevac d.o.o.	Kragujevac	PXX	Serbia	100		3.114	Europe
20	Wacker Neuson GmbH	Wien	SXX	Austria	100		16.441	Europe
21	Wacker Neuson Sp. z.o.o.	Jawczyce (near Warschau)	SXX	Poland	100		10.147	Europe
22	Wacker Neuson GmbH	Moskau	SXX	Russia	100		940	Europe
23	Wacker Neuson AB	Arløv (near Malmö)	SXX	Sweden	100		-4.574	Europe
24	Wacker Neuson AG	Volketswil (near Zürich)	SXX	Switzerland	100		18.616	Europe
25	Wacker Neuson, S.A.	Torrejón de Ardoz (near Madrid)	SXX	Spain	100		2.724	Europe
26	Wacker Neuson (Pty) Ltd.	Florida (near Johannesburg)	SXX	South Africa	100		-459	Europe
27	Wacker Neuson s.r.o.	Prag	SXX	Czech Republic	100		3.826	Europe
28	Wacker Neuson s.r.o.	Lučenec	SXX	Slovakia	100		126	
29	Wacker Neuson Makina Limited Şirketi	Tuzla (near Istanbul)	SXX	Turkey	100		-75	Europe
30	Wacker Neuson Kft.	Törökbálint (near Budapest)	SXX	Hungary	100		941	Europe
	Americas							
31	Wacker Neuson Máquinas Ltda.	Itaiba (near São Paulo)	SXX	Brazil	100		1.236	Americas
32	Wacker Neuson Ltda.	Huechuraba (bei Santiago)	SXX	Chile	100		-2.026	Americas
33	Wacker Neuson Ltd.	Mississauga (near Toronto)	SXX	Canada	100		5.937	Americas
34	Wacker Neuson S.A. de C.V.	Mexico City	SXX	Mexico	100		2.181	Americas
35	Wacker Neuson Corporation	Menomonee Falls2	SXX	USA	100		62.097	Americas
36	Lightning Rod Investments LLC	Menomonee Falls2	Other	USA		100	4.075	Americas
37	Wacker Neuson Bogotá S.A.S.	Bogotá	SXX	Colombia	100		-2.468	Americas
38	Wacker Neuson Lima S.A.C.	Lima	SXX	Peru	99	1	-710	Americas
	Asia-Pacific							

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a % direct	indirect	Equity IN K€	Segment
39	Wacker Neuson Pty Ltd.	Springvale (near Melbourne)	SXX	Australia	100		1.232	Asia-Pacific
40	Wacker Neuson Limited	Hong Kong	SXX	Hong Kong	100		2.429	Asia-Pacific
41	Wacker Neuson Machinery Trading (Shenzhen) Ltd. Co.	Shenzhen	SXX	China		100	–[3]	Asia-Pacific
42	Wacker Neuson Shanghai Ltd.	Shanghai	SXX	China	100		-5.343	Asia-Pacific
43	Wacker Neuson Machinery (China) Co., Ltd.	Pinghu	PXX	China	100		3.009	Asia-Pacific
44	Wacker Neuson Machinery Trading (Pinghu) Co., Ltd.	Pinghu	SXX	China		100	778	Asia-Pacific
45	Wacker Neuson (Singapore) PTE. LTD	Singapore	SXX	Singapore	100		1.662	Asia-Pacific
46	Wacker Neuson Equipment Private Ltd.	Bangalore	SXX	India	100		1.016	Asia-Pacific
47	Wacker Neuson Manila, Inc. i.L.	Dasmariñas (near Manila)	PXX	Philippines	100		6.407	Asia-Pacific

[1] SXX = Sales company / PXX = Production company / Other = generally refers to real-estate companies or general partners (Komplementär) in KG companies.
[2] Near Milwaukee.
[3] Company equity is included in the equity of the parent company (no. 42)..

The following changes were made to the consolidation structure in fiscal 2020:

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

“Wacker Neuson Holding Limited” in Samutprakarn (near Bangkok), Thailand, ceased operations and was deconsolidated on December 31, 2020, for reasons of materiality. “Wacker Neuson Limited” in Samutprakarn (near Bangkok), Thailand, ceased operations and was deconsolidated on December 31, 2020, for reasons of materiality.

“Wacker Neuson ApS” in Denmark was sold effective December 30, 2020, and has not been included in the consolidation structure since that date.

The two US affiliates “Wacker Neuson Production Americas LLC” and “Wacker Neuson Sales Americas LLC” were merged and incorporated into the US holding company “Wacker Neuson Corporation” as of December 31, 2020. The US holding company “Wacker Neuson Corporation” is a direct, wholly owned subsidiary of Wacker Neuson SE. “Wacker Neuson Production Americas LLC” and “Wacker Neuson Sales Americas LLC” were wholly owned subsidiaries of “Wacker Neuson Corporation”.

In December 2020, the company “Wacker Neuson Lapovo d.o.o.” was merged with Wacker Neuson Kragujevac d.o.o.”.

No acquisitions of fully consolidated companies were made in fiscal 2020.

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

Consolidation principles

The Consolidated Financial Statements are based on the annual financial statements of the domestic and foreign companies included in the Group, which were prepared in accordance with IFRS to the year ending December 31, 2020. The annual financial statements of these companies were prepared according to the uniform accounting and valuation methods applied by the Group.

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

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

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Group inventories, rental equipment and fixed assets are adjusted to reflect intra-Group profits and losses.

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

Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle, is held primarily for the purpose of trading, is expected to be realized within twelve months after the reporting period, or is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled within the normal operating cycle, is held primarily for the purpose of trading, is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Exchange differences

Transactions carried out in foreign currencies are recognized at the exchange rate applicable at the time of the transaction. Nominal assets and liabilities in foreign currencies are converted at the exchange rate effective at the balance sheet date. The resulting translation differences are recognized in the income statement. This excludes monetary items that are designated as part of the Group's net investment in a foreign operation. These are disclosed in other income until the disposal of the net investment.

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

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

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

Rates of major currencies

1 euro equals		2020	2019	2020	2019
		Annual average rates		Rates at balance sheet date[1]	
Australia	AUD	1.6553	1.6103	1.5896	1.5995
Brazil	BRL	5.8866	4.4154	6.3735	4.5157
Chile	CLP	902.6920	785.9871	869.6500	843.5400
China	CNY	7.8728	7.7331	8.0225	7.8205
Denmark	DKK	7.4543	7.4661	7.4409	7.4715
United Kingdom	GBP	0.8894	0.8772	0.8990	0.8508
Hong Kong	HKD	8.8543	8.7691	9.5142	8.7473
India	INR	84.6041	78.8202	89.6605	80.1870
Japan	JPY	121.8085	122.0167	126.4900	121.9400
Canada	CAD	1.5297	1.4848	1.5633	1.4598
Colombia	COP	4214.7682	3673.6098	4200.5000	3688.1000
Mexico	MXN	24.5099	21.5484	24.4160	21.2202
Norway	NOK	10.7245	9.8491	10.4703	9.8638
Peru	PEN	3.9900	3.7348	4.4461	3.7237
Philippines	PHP	56.6013	57.9520	59.1250	56.9000
Poland	PLN	4.4437	4.2972	4.5597	4.2568
Russia	RUB	82.6507	72.3528	91.4671	69.9563
Sweden	SEK	10.4883	10.5910	10.0343	10.4468
Switzerland	CHF	1.0704	1.1123	1.0802	1.0854
Serbia	RSD	117.5778	117.8532	117.5910	117.5430
Singapore	SGD	1.5737	1.5268	1.6218	1.5111
South Africa	ZAR	18.7626	16.1677	18.0219	15.7773
Thailand	THB	35.7000	34.7327	36.7270	33.4150
Czech Republic	CZK	26.4569	25.6688	26.2420	25.4080
Turkey	TRY	8.0428	6.3632	9.1131	6.6843
USA	USD	1.1416	1.1192	1.2271	1.1234

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

Important events

In addition to the legal changes, the main important events that occurred during the 2020 reporting period can be described as follows:

2020 Annual General Meeting

- The Annual General Meeting (AGM) of Wacker Neuson SE took place on June 30, 2020. The meeting was held virtually without shareholders or their proxy holders being physically present (with the exception of the proxies appointed by the company).
- Shareholders approved the Executive Board and Supervisory Board's proposal to suspend the dividend payout for fiscal 2019 and to carry the net profit forward.
- Wacker Neuson SE and Kramer-Werke GmbH concluded a profit transfer agreement on May 14, 2020, in accordance with Section 291, Para. 1, Sent. 1, Case 2 of the German Stock Corporation Act (AktG). Shareholders approved the resolution on the approval of the profit transfer agreement.
- The re-election of all members of the Supervisory Board who were renominated for a further term – Kurt Helletzgruber, Hans Neunteufel, Matthias Schüppen and Ralph Wacker – was approved at the Annual General Meeting.

Changes in the composition of executive bodies

- As of October 1, 2020, the Supervisory Board of Wacker Neuson SE appointed Felix Bietenbeck to the newly created position of Chief Operations Officer (COO) on the Executive Board.
- On November 18, 2020, the Group reported that Martin Lehner, Chairman of the Board, CEO and CTO of Wacker Neuson SE, had informed the Supervisory Board that he would not be available for another term for personal reasons. The Group also reported a mutual agreement between the Supervisory Board of Wacker Neuson SE and Wilfried Trepels, Chief Financial Officer, that Mr. Trepels would depart the company earlier than scheduled after he informed the Supervisory Board that he would not be available for a further term of office due to differing views on the company's management and that he would step down from the Executive Board as of November 30, 2020. After leaving the Executive Board on December 31, 2020, Martin Lehner will remain available to the company in an advisory capacity until March 31, 2021.
- The Supervisory Board appointed Kurt Helletzgruber, Chairman of the Audit Committee, to the Executive Board until June 30, 2021, in accordance with Section 105 (2) AktG. He assumed the role of CFO on December 1, 2020 on an interim basis and became interim CEO on January 1, 2021. Matthias Schüppen was appointed Chairman of the Audit Committee.

Performance

- In connection with the impact of the COVID-19 pandemic, the Wacker Neuson Group suffered significant revenue losses in fiscal 2020. The protective measures implemented by many countries, institutions and companies interrupted construction activity and supply chains, particularly in the first half of the year. Widespread lockdowns and major uncertainties about how the pandemic would develop had a markedly negative impact on customers' investment behavior and also on the Wacker Neuson Group's business situation.
- In response to the COVID-19 pandemic and the resulting sharp drop in demand, the Group implemented cost-saving initiatives. These included significantly reducing operating costs and extended vacation periods using up hours in flextime accounts. The Group also availed of government-backed schemes to support the labor market. The use of various short-time work models yielded savings of around EUR 18.4 million, of which government grants accounted for approximately EUR 4.1 million. The government grants were recognized in the income statement as a reduction in personnel expenses.
- Given the impact of the COVID-19 pandemic, the Executive Board of Wacker Neuson SE reviewed the business prospects of all key Group entities. In addition to existing uncertainties, the pandemic had a particularly marked impact on business in North America in fiscal 2020, where demand from key accounts in particular, including rental companies, developed significantly below internal projections. As a result, expectations in relation to the business performance of this region have been adjusted downwards. Based on updated business planning and an impairment test on the assets of the US subgroup, the goodwill attributed to that entity in the amount of EUR 9.2 million has been fully written down. This EUR 9.2 million write-down is a non-cash item. The review did not indicate a need to recognize impairment losses for the two cash-generating units Weidemann GmbH and Wacker Neuson Beteiligungs GmbH.
- In view of the impact of the COVID-19 pandemic on the business situation of some Wacker Neuson Group customers, value adjustments in connection with allowances for doubtful receivables in the total amount of EUR 33.3 million were recognized for fiscal 2020. This EUR 33.3 million impairment loss is a non-cash item for fiscal 2020. The majority of the risk provisions were attributable to the Americas reporting region.
- In January 2020, the Executive Board of Wacker Neuson SE approved a program to reduce costs and increase efficiency, the implementation of which is currently still ongoing. This gave rise to restructuring expenses within the scope of IAS 37 amounting to EUR 5.4 million in 2020, mainly as a result of redundancy payments and a social plan.
- In the context of the above program, expenses were also incurred among other things in connection with impairment losses on real estate, intangible assets and property, plant and equipment in the total amount of EUR 6.4 million. This was partially offset by income in the total amount of EUR 2.7 million from deconsolidations and the sale of a property.

Refer to page 29 ff. in the Group Management Report for further information and explanatory comments on events that could have a substantial impact on profit, financials and assets.

Accounting and valuation methods

Revenue and earnings recognition

Revenue is recognized when control over distinct goods or services is passed to the customer, i.e., when the customer has the ability to direct the use of the transferred goods or services and substantially obtains the remaining benefits from the asset. This presupposes that an agreement with enforceable rights and obligations has been concluded and, among other things, that receipt of the respective consideration is probable, taking into account the customer's credit rating. The revenue corresponds to the transaction price to which Wacker Neuson is likely to be entitled. Variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty associated with the variable consideration has been resolved.

Revenue from the sale of light and compact equipment
Revenue from the sale of light and compact equipment is recognized at the point when control is transferred to the purchaser, usually upon delivery of the goods. Invoices will be issued at that time, while payment terms usually provide for payment within 30 days of an invoice being issued.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. extended warranties). In determining the transaction price for the sale of light and compact equipment, the Group considers the effects of variable consideration, the existence of significant financing components, and, if applicable, any non-cash consideration and consideration payable to the customer.

(a) Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained from inclusion in the transaction price until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of light and compact equipment grant customers a take-back and buy-back obligation on the part of Wacker Neuson, or volume rebates or discounts. These give rise to variable consideration.

- Take-back obligations

Certain contracts provide a customer with the right to return goods at a predefined value which is less than the original selling price. According to the requirements of IFRS 15, this is a sales option for the customer in which the Group acts as writer of the option. Based on the contract structures, the Group currently does not believe that the customer has an economic benefit from exercising the option and accounts for the take-back obligation according to the requirements of IFRS 15 for return rights. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. Based on its historical experience with such transactions, the Group considers the probability of its take-back obligations to be insignificant. Therefore, no refund liabilities or right-of-return assets are recorded. Information on this is provided in item 26, "Other financial liabilities", in these Notes.

- Volume and sales rebates

The Group provides retrospective rebates to certain customers once the quantity of products purchased during the period exceeds a volume threshold or particular revenue level specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the "most likely amount" method for contracts with a single quantity or volume threshold and the "expected value" method for contracts with more than one quantity or volume threshold. The selected method that best predicts the amount of variable consideration is thus primarily driven by the number of quantity or volume thresholds contained in the contract. The Group already includes the variable price components when recognizing revenues from the sale of products if it is likely that the customer will meet the agreed targets. The regulations on constraining estimates of variable consideration are applied in this regard. A refund liability is formed in the same amount for the anticipated future rebates.

In addition, the Group provides sales support to selected customers in the form of prepaid bonuses. These are classified as assets under the balance sheet items "Other non-current financial assets" and "Other current financial assets". Here too, the Group already includes the variable price components when recognizing revenues from the sale of products if it is likely that the customer will meet the agreed targets during the term of the agreement, and reduces the receivable from the prepaid bonus to the customer in the same amount.

- Discounts

The Group grants certain customers reduced prices if payment is made within defined shorter periods (discounts). Discounts granted are offset against amounts payable by the customer. The Group identifies the transaction price while considering the most probable amount and already includes this variable price component discount when recognizing revenues if, based on the customer's past payment behavior, it can be assumed that the customer will deduct the discount amount that has been granted. The regulations on constraining estimates of variable consideration are applied in this regard. A refund liability is formed in the same amount for the anticipated future discounts.

(b) Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Advance payments from customers are recognized under the balance sheet item "Contract liabilities".

The Group offers customers financing services through financing partners. The interest payable by the Group to financing partners is deducted from revenue as a deferral.

For contracts where the period between the transfer of the goods or services and the payment date exceeds twelve months and a significant benefit from the financing arrangement accrues to the customer or to Wacker Neuson, the consideration is adjusted by the time value of money. The Group otherwise waives the option to adjust for short-term periods under the practical expedients provided under IFRS 15. As the Group constantly expands its activities as a financing partner for its customers (e.g. through long-term payment terms), the financing components initially deferred are carried as revenue over the agreed period, albeit separate from the revenue from contracts with customers (other revenue). The deferred financing components are reported under contractual liabilities in the balance sheet. Material financing components reduce the initial recognition of the financial asset and are distributed over the agreed term in line with the effective interest rate method.

Revenue from the sale of spare parts
Revenue from the sale of spare parts is recognized at the point when control is transferred to the purchaser, usually upon delivery of the goods. Invoices will be issued at that time, while payment terms usually provide for payment within 30 days of an invoice being issued. Revenue from the sale of spare parts is reported under the services segment.

Warranty obligations
The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties according to IFRS 15 are accounted for under IAS 37 as “Provisions, Contingent Liabilities and Contingent Assets”. Refer to “Other provisions” for details of the accounting policy on warranty provisions.

In addition to fixing defects that existed at the time of sale, the Group provides extended warranties (contract liabilities). These service-type warranties according to IFRS 15 are sold either separately or bundled together with the sale of light or compact equipment. Contracts for bundled sales of light or compact equipment and a service-type warranty comprise two performance obligations because the promises to transfer the light or compact equipment and to provide the service-type warranty are capable of being distinct. Using the relative standalone selling price method, a portion of the transaction price is allocated to the service-type warranty and deducted from the transaction price for the sale of the products. Extended warranties are recognized under the balance sheet item “Contract liabilities”.

Revenue from the rendering of services
Revenue from services is recognized on a straight-line basis over the period during which the services are provided or – if the service is not provided on a straight-line basis – upon performance of the service. Invoices are issued in accordance with the terms of the contract, with payment terms usually providing for payment within 30 days of an invoice being issued. In addition to rental income, income from the provision of services mainly comprises income from customer financing, the telematics business, extended warranties and the spare parts business. If a customer makes an advance payment for services to be rendered in the future, this is generally to be reported as a contractual liability. Deferred advance payments for services to be rendered in the future are recognized under the balance sheet item “Contract liabilities”.

Revenue from the rental of equipment and accessories
The Group recognizes revenue from the short-term rental of equipment and accessories on a straight-line basis over the rental term because the customer simultaneously receives and consumes the benefits provided by the Group. In determining the transaction price from the rental of equipment and accessories, the Group considers the effects of variable consideration similar to the sale of light and compact equipment. The average rental period is around 15 days. For reasons of materiality and given the very short periods of time involved, revenue of this nature does not differentiate between performance obligations that are satisfied “at a point in time” and those that are satisfied “over time” in the notes. Invoices are issued in accordance with the terms of the contract, with payment terms usually providing for payment within 30 days of an invoice being issued.

Realization of expenses

Operating expenses are recognized in profit or loss upon execution of the service or at the date of their origin. Interest expense is recognized on an accrual basis taking the outstanding principal of the loan and the applicable interest rate into account.

Determining fair value

The Group identifies and values certain financial instruments (such as derivatives, securities, investments and plan assets under IAS 19) at fair value at every closing date in line with applicable guidelines. Financial instruments are also recognized at fair value. Refer to item 27, “Additional information on financial instruments”, in these Notes for further information on fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the business transaction takes place:

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy according to IFRS 13, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Prices quoted in active markets (not adjusted)
- Level 2: Evaluation techniques where the lowest-level input significant to the fair value measurement is observable either directly or indirectly on the market
- Level 3: Evaluation techniques where the lowest-level input significant to the fair value measurement is not observable on the market

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between fair value levels by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The corporate functions responsible (e.g. Corporate Real Estate, Corporate Treasury) in consultation with the Board member responsible determine the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets. The engagement of external valuers is reviewed annually by the relevant corporate functions at the Group on the basis of observed market indicators to determine whether significant changes have occurred in the general conditions. An external valuer is engaged after consultation with and approval from the Board member responsible. Selection criteria include market knowledge, reputation, independence and compliance with professional standards. Valuers are normally rotated every three years. The corporate function managers and Board member responsible decide, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each individual case.

At each reporting date, the Group's corporate functions analyze the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the responsible corporate functions verify the major inputs applied in the latest valuation by aligning the information in the valuation computation with contracts and other relevant documents. The responsible corporate functions, in conjunction with the Group's external valuers, also compare the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. The valuation results are presented to the Audit Committee and the Group's auditor during the year. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Property, plant and equipment
Construction in progress is carried at cost, net of accumulated impairment losses, if any. Plant and equipment is stated at cost, net of accumulated scheduled straight-line depreciation and accumulated impairment losses. An item of property, plant and equipment is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Financing costs are capitalized provided there is a qualified underlying asset.

Investment properties
Land and buildings held for the purpose of generating rental revenue are designated at amortized cost using the acquisition cost method. Straight-line depreciation is calculated using the pro rata temporis method.

Intangible assets
Intangible assets acquired independently of a business combination are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

For subsequent valuations of intangible assets, the useful lives of intangible assets are assessed as either limited or unlimited.

Intangible assets with limited lives are subject to scheduled amortization over the useful estimated economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a limited useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with limited lives is recognized in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with unlimited useful lives are tested for impairment at least once a year, either individually or at the cash-generating unit level. These intangible assets are not subject to scheduled amortization. The assessment of unlimited useful life is reviewed annually to determine whether the unlimited life continues to be supportable. If not, the change in useful life from unlimited to limited is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Financing costs are capitalized provided there is a qualified underlying asset.

Leases

When the Group is the lessee, leases are recognized as right-of-use assets with a corresponding lease liability as at the point in time when the leased object is available for use by the Group. Lease payments are apportioned between reduction of the lease liability and finance charges. Finance charges are recognized in profit or loss over the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is subject to straight-line depreciation over the shorter period – either the useful life or the term of the lease.

At contract inception, the Group assesses whether an agreement constitutes or contains a lease. This is deemed to be the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Assets and liabilities from leases are initially recognized at present value.

(a) Lease liabilities

Lease liabilities include the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments, net of lease incentives, if any)
- Variable lease payments that depend on an index or interest rate
- Amounts expected to be paid under residual value guarantee by the lessee
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease

When calculating the present value of lease payments, the Group uses its incremental borrowing rate on the commencement date, as the interest rate on which the lease is based cannot be easily determined. After the commencement date, the amount of the lease liability is increased in order to do justice to the higher interest expense and reduced in order to do justice to the lease installments paid. In addition, the carrying amount of the lease liabilities is revalued in the event of changes to the lease, changes to the term of the lease, changes to the lease installments (e.g. changes to future lease installments as a result of a change to the index or interest rate used to determine these payments) or in the event of a change to the assessment of a purchase option for the underlying asset.

(b) Right-of-use assets
Right-of-use assets are designated at cost, which comprises the following:
- The amount of the initial measurement of the lease liability
- All lease payments made at or before the commencement date, net of lease incentives received, if any
- All initial direct costs incurred by the lessee
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

Right-of-use assets are subject to scheduled straight-line depreciation over the shorter period – either the useful life or the term of the lease.

If ownership of the leased item is transferred to the Group at the end of the term of the lease, or if the costs include exercising a purchase option, the depreciation is calculated based on the anticipated useful life of the leased item.

Right-of-use assets are also reviewed for impairment.

(c) Short-term leases and leases based on a low-value asset
The Group applies the short-term lease recognition exemption to all short-term leases (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets (such as IT equipment, bicycles and small pieces of office furniture) that are considered to be of low value.

Lease installments for short-term leases and for leases based on a low-value asset (which is generally an acquisition cost of less than EUR 5,000) are recorded as expenses on a straight-line basis over the term of the lease.

(d) Sale and leaseback
In the past, the Group concluded a sale-and-leaseback agreement with financial institutions where the leaseback was already classified as a finance lease due to the repurchase option, in accordance with IAS 17 regulations at that time. According to IFRS 16, the head lease should continue to be treated as a lease. The contractual conditions are passed on “as is” (also including the purchase option) to selected dealers. From the Group’s perspective, this in turn leads to classification as a finance lease, so the asset is immediately derecognized from the head lease and a lease receivable is recognized at the same time. This sales-supporting measure gives the dealer access to favorable interest conditions.

Further contracts concluded on the basis of the model described above are now accounted for under IFRS 16, and the associated liabilities are reported as financial liabilities. Refer to item 21, “Long- and short-term financial liabilities”, in these Notes for further information.

(e) Group as lessor
The Group also acts as a manufacturer lessor. In this case, each lease is classified at contract inception as either a finance or an operating lease. In the case of a finance lease, substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee; in the case of an operating lease, substantially all the risks and rewards remain with the Group.

For a finance lease, the underlying asset is removed from the balance sheet and a lease receivable is recognized accordingly, differentiating between current and non-current. The amount of the lease receivable corresponds to the net investment value of the leased asset at the commencement date. Revenue and cost of sales are recognized for a finance lease at the commencement date. Revenue is recognized at the fair value of the leased asset, reduced by any unguaranteed residual value of assets that are expected to be returned to the Group. Cost of sales is also reduced by unguaranteed residual values. Subsequently, lease payments received are apportioned between interest and principal and shown as interest income and repayment of lease receivables, respectively. Interest income is distributed across accounting periods so that a constant periodic rate of interest is shown over the term of the lease.

In the case of an operating lease, the underlying asset (usually rental equipment) continues to be recognized in the balance sheet and the lease payments received are recorded as revenue in the income statement on a straight-line basis over the term of the corresponding lease.

Rental
Rental equipment is carried at cost net of accumulated scheduled straight-line depreciation (between five and eight years) and accumulated impairment losses. Rental equipment is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of rental equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Inventories
Inventories of work in process and finished products, as well as raw materials and supplies, are valued at cost in accordance with IAS 2. To the extent that the cost of inventories is above fair value, they are written down to the lower net realizable value at the balance sheet date. The net realizable value corresponds to the estimated realizable sales price under normal business conditions, net of the estimated manufacturing and sales costs. If the net realizable value of formerly written-down inventories has increased, corresponding write-ups will be made.

In determining acquisition costs, incidental acquisition costs are added and rebates on purchase prices are deducted. Cost of sales includes all expenses that are allocable either directly or indirectly to the manufacturing process.

Costs of inventories were, for the main part, determined on the basis of the FIFO method; in other words, on the assumption that those assets that were acquired first will be consumed first. The moving average cost method is also used to simplify valuation. The Group uses derivative financial instruments to hedge against currency risks arising from the purchase of inventories in foreign currencies (see "Derivative financial instruments" for details).

Non-current assets held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value, less cost to sell. Cost to sell refers to the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale must be expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

Financial instruments and hedge accounting

(a) Financial assets
Financial assets are classified, at initial recognition, as subsequently designated at amortized cost, fair value through other income, and fair value recognized in the income statement.

The classification of financial assets in the form of debt instruments at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value recognized in the income statement, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in the "Revenue and earnings recognition" section.

In order for a financial asset in the form of a debt instrument to be classified and designated at amortized cost or fair value through other income, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and designated at amortized cost are held within a business model which has the aim of holding financial assets in order to collect contractual cash flows. Loans, receivables and other debt instruments are allocated to the "hold" business model in order to collect the contractual cash flows consisting of interest and principal.

In contrast, financial assets which are classified and designated at fair value under other income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

The assessment of whether contractual cash flows on debt instruments are solely payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Under IFRS 9, debt instruments are subsequently designated at fair value recognized in the income statement, amortized cost, or fair value through other income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other income with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through other income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value recognized in the income statement

An outstanding receivable vis-à-vis a foreign business, the discontinuation of which is neither planned nor likely in the foreseeable future, corresponds largely to part of the net investment in this foreign business. The nominal value amounts to USD 60.0 million (previous year: USD 60.0 million) and was issued by the German parent company of the Group to the American sales affiliate Wacker Neuson Corporation. Translation differences from this outstanding receivable that corresponds to part of a net investment in a foreign business are initially recognized under other income and, in the event that the net investment is sold, will be reclassified from equity to the income statement.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Group.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost are as follows:

- Receivables (extended payment terms) from dealers: Extended payment terms with a maturity of more than 360 days are granted to selected dealers to support sales. These are reported in the balance sheet under "Other non-current financial assets", as long as the maturity remains more than 360 days. As soon as the maturity falls below 360 days, the current portion is reclassified to the balance sheet item "Trade receivables". Receivables from prepaid volume bonuses: Volume bonuses are paid in advance to selected US dealers to assist them with market penetration and development. The non-current portion is included under the item "Other non-current financial assets". At the same time, the current portion is reported under "Other current financial assets".

- Trade receivables: Financial receivables without a significant financing component from revenue and earnings recognition are reported under the item "Trade receivables".
- Cash and cash equivalents: These financial assets comprise cash on hand, checks and demand deposits.

Financial assets at fair value recognized in the income statement

Financial assets at fair value recognized in the income statement include financial assets held for trading, financial assets designated upon initial recognition at fair value recognized in the income statement, or financial assets mandatorily required to be designated at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and designated at fair value recognized in the income statement, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other income, as described above, debt instruments may be designated at fair value recognized in the income statement on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value recognized in the income statement are carried in the financial statement at fair value with net changes in fair value recognized in the income statement.

This category includes derivative instruments and listed and non-listed equity investments which the Group had not irrevocably elected to classify at fair value through other income. The Group has the following significant financial assets and liabilities, which are designated at fair value recognized in the income statement:

- Derivatives not treated according to hedge accounting criteria: The Group uses currency swaps to hedge the currency risk from loans issued internally between Group companies. The currency effects from the recognition of intra-Group foreign currency loans in the balance sheet are recognized in the financial result. The measurement of the derivatives used at fair value through profit or loss means that these valuation results are also recognized in the financial result. Depending on the market value, the derivatives are reported in the balance sheet either under "Other current financial assets" or under "Other current financial liabilities".
- Minority shareholding in Austria: Disclosure of shares in a non-listed company in the amount of EUR 2.5 million (2019: EUR 2.6 million). The purpose of this company is to invest in innovative startups with the aim of gaining access to new technologies. For more on classification, refer to the information under "Changes to accounting and valuation methods".

Financial assets designated at fair value through other income (equity instruments)

Upon initial recognition, the Group can elect to irrevocably classify equity investments it holds in other companies as equity instruments designated at fair value through other income if they meet the definition of equity under IAS 32, Financial Instruments: Presentation, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other income.

The Group elected to classify listed equity investments irrevocably under this category.

The Group has the following significant financial assets, which are designated at fair value through other income:

- Investments in pension funds: The Group holds investments in pension funds to secure the pension claims of former Executive Board members. These are not defined as plan assets in accordance with IAS 19 and are not netted against pension provisions. The pension fund investments are reported under "Other non-current financial assets".
- Minority shareholding in North America: Since 2019, the Group has held a minority stake amounting to 5.4 percent of shares in a company in North America.

Derecognition

Within the Group, receivables are sold individually or bundled for financing purposes. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated financial statement) when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards associated with the asset, or (b) the Group has transferred or retained substantially none of the risks and rewards associated with the asset, but has transferred control of the asset.

If the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates whether and – if so – to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all of the risks and rewards associated with the asset, nor transferred control over the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are evaluated in due consideration of the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. The Group's remaining involvement with regard to the receivable after derecognition is reported under "Other non-current financial assets" / "Other current financial assets" and the associated liability under "Short-term liabilities to financial institutions" / "Other current financial liabilities".

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value recognized in the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in three stages according to the requirements of IFRS 9.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is provided for ECLs that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Expenses arising from the allowance for ECLs are allocated to sales and service expenses.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience from trade receivables, adjusted for forward-looking factors specific to the debtors and the economic environment, to the extent that the current economic perspective or other macroeconomic parameters justify this. Alongside trade receivables, the Group voluntarily recognizes lifetime ECLs based on a simplified approach for the following financial assets:

- Receivables (extended payment terms) from dealers
- Receivables from finance leases as a lessor

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This reasonable expectation exists for the Group in the event that the customer files for insolvency.

(b) Financial liabilities
Financial liabilities are classified at initial recognition at amortized cost or at fair value recognized in the income statement. All financial liabilities are recognized initially at fair value. In the case of financial liabilities designated at amortized cost, directly attributable transaction costs are deducted upon initial recognition.

The Group's financial liabilities include trade and other payables, liabilities to financial institutions (including loans and overdrafts), and derivative financial instruments.

Financial liabilities at fair value recognized in the income statement include derivative financial instruments entered into by the Group that are not designated as hedge instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in the income statement.

The Group uses currency swaps to hedge the currency risk from loans issued internally between Group companies. The currency effects from the recognition of intra-Group foreign currency loans in the balance sheet are recognized in the financial result. The measurement of the derivatives used at fair value through profit or loss means that these valuation results are also recognized in the financial result. Depending on the market value, the derivatives are reported in the balance sheet either under "Other current financial assets" or under "Other current financial liabilities".

After initial recognition, liabilities to financial institutions (from loans and overdrafts) are subsequently designated at amortized cost using the EIR method.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

(c) Derivative financial instruments
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks. Such derivative financial instruments are initially recognized at fair value at the date on which a derivative contract is entered into and are subsequently redesignated at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. These kinds of financial transactions are concluded centrally and always have a corresponding underlying transaction.

Within the framework of the Group's risk management strategy and initiatives, various derivatives are used for the economic hedging of risks.

Derivative financial instruments that are not included in hedge accounting are designated at fair value recognized in the income statement. This relates exclusively to the currency swaps used to hedge the currency risk from loans issued internally between Group companies. There is no designation within a hedging relationship, as the underlying transactions are eliminated as part of consolidation procedures and only the earnings effect from the foreign exchange valuation remains in the consolidated earnings. The valuation result of the foreign exchange swaps is then also reported in the financial result and netted against the result from the foreign exchange valuation of the loans issued between the Group companies.

In addition, the Group uses forward exchange contracts to hedge planned internal purchases of goods. These are formally classified as hedges (hedge accounting) on inception of the foreign exchange forward transaction with the corresponding underlying transaction. In applying IFRS 9 for the first time, the Group exercised the accounting option to continue to account for hedge relationships in accordance with IAS 39 instead of the hedge accounting rules set out in section 6 of IFRS 9.

The hedge accounting requirements according to IAS 39 are met in these cases. In addition, the Group verifies the effectiveness of the hedge at its inception and also thereafter on a continual basis. The foreign exchange forwards utilized by the Group within the framework of its risk management strategy are recognized as cash flow hedges, whereby the effective portion from changes in fair value is reported under other income. The hedge-ineffective portion is directly recognized in the consolidated income statement. After the underlying transaction has taken place, the valuation results to date recognized directly in equity are allocated to inventories and then affect the cost of sales when the corresponding products are sold in future. Starting from the date of the underlying transaction, these derivatives are also treated as separate and any further revaluations are recognized in profit or loss, netted against the foreign exchange valuation of the Group-internal liability resulting from the originally hedged transaction.

In addition, the Group entered into a payer swap contract in the United States due to the partially floating rate on promissory notes (Schuldschein). That swap contract is designated as a hedging instrument under a cash flow hedge with the floating rate part of the promissory note (Schuldschein). The effective portion of changes in the fair value of the hedging instrument is now recognized under other income. Recycling takes place periodically by netting the interest payments from the swap and the promissory note (Schuldschein).

Research and development
Research costs are expensed as incurred. Development expenditures on an individual project are only capitalized as an intangible asset when the Group can demonstrate compliance with the following six criteria in IAS 38:

- The technical feasibility of completing the intangible asset so that the asset will be available for internal use or sale
- Its intention to complete the intangible asset
- Its ability and intention to use or sell the intangible asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an intangible asset, the asset is carried at cost net of accumulated straight-line amortization and accumulated impairment losses, if any. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the development period, impairment indicators are tested annually and, if applicable, an impairment test performed.

In addition, the Group tests intangible assets not yet ready for use for impairment every year. When testing property, plant and equipment, and other intangible assets for impairment, determining the recoverable amount of the assets involves the use of estimates.

The Group views the COVID-19 pandemic and its ramifications as a triggering event requiring an impairment test on capitalized development projects in accordance with IAS 36. Refer to item 10, “Intangible assets”, in these Notes for further information.

Other non-financial assets
Other non-financial assets are principally recognized at their nominal values. Allowances are recognized in the full amount for other assets for which there is a high probability of default.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, checks and demand deposits. They belong to the “Financial assets designated at amortized cost” category and have original maturities of three months or less. Cash and cash equivalents are converted to the nominal value in the Group’s currency. In the case of liquid funds, this corresponds to the fair value. Since cash and cash equivalents are only held by major international banks with good ratings, the Group considers the need to “calculate” potential losses to be negligible and of minor importance for the Group.

Government grants
Government grants are only recognized if there is reasonable assurance that the relevant criteria are fulfilled and the funding will be approved. Grants for the acquisition of non-current assets are recognized by reducing the book value of the asset. The grant is then recognized as income through a reduced write-down value over the duration of the depreciable asset’s useful life. If the Group receives government grants for costs, these are recognized over the period when the costs arise for which they are intended to compensate. The government compensation payments received are netted against the corresponding expenses for which the compensation was paid. If the government grants were not awarded directly for expenses incurred, they are reported under other income.

Pensions and similar obligations
The Group holds defined benefit pension plans, primarily in Germany and Switzerland. Contributions are made to a separately managed fund for these. There are also other pension plans in the USA and Austria, most of which are defined benefit schemes. Provisions for pensions and similar obligations from defined benefit plans are recognized following the Projected Unit Credit Method, taking into consideration future adjustments to remuneration payments and pensions in compliance with IAS 19. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the financial statement with a corresponding debit or credit to retained earnings through other income in the period in which they occur. Remeasurements may not be reclassified to the income statement in subsequent periods.

Unvested past service costs are recognized in profit or loss at the earlier of the following points in time:

- The time at which the adjustment or curtailment of the plan takes effect
- The time at which the Group recognizes any costs related to the restructuring

Pension obligations in Germany are calculated using the demographic tables for 2018 G developed by Prof. Klaus Heubeck, taking biometric actuarial assumptions into account. Pension obligations abroad are calculated using accounting principles and parameters specific to the corresponding country.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the defined benefit obligation in the income statement, mainly under administrative and sales and service expenses (by function):

- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements

- Net interest expense or income

Service costs for vested rights to future pension payments result from the changes in the present value of the obligation. The net interest is recognized in the financial result. Payments under defined contribution benefit plans are recognized directly as an expense.

Other provisions
Other provisions are recognized in accordance with IAS 37 when the Group has a present legal or constructive obligation as a result of a past event, which will probably result in an outflow of resources with economic benefits, the amount of which can be reliably estimated. Other provisions include allowances for all identifiable obligations. Valuation is based on estimations of the expected settlement amount on due consideration of all business circumstances. Provisions that are only due after one year and for which the payment amounts and due dates can be reliably estimated are measured at discounted present value. Provisions for assurance-type warranties are calculated on the basis of historical values, warranty lifetimes and product volumes. For the treatment of extended service-type warranties, refer to the above-mentioned "Warranty obligations" subsection in the "Revenue and earnings recognition" section.

Other provisions are made for all identifiable risks as well as for all contingent liabilities in the amount that is expected to be incurred.

Taxes on income
Deferred and current tax is calculated in line with IAS 12.

Deferred tax assets and liabilities are recognized for temporary differences between carrying amounts and corresponding tax bases, for consolidation transactions recognized in the income statement and for tax loss carry-forwards.

Deferred tax assets on tax loss carry-forwards are only recognized if the associated reductions in tax are likely to become effective in the next five years (maximum) and can be applied in subsequent periods. Deferred tax was recognized for loss carry-forwards in the year under review.

Deferred tax is calculated at the tax rate applicable to the company in question that is valid or approved at the balance sheet date and which will then be valid when the reversal effects will probably be applied.

Changes to deferred tax in the balance sheet generally result in deferred tax expense or income. If any movements that necessitate a change in deferred tax are charged directly to equity, the resulting change to deferred tax is also recognized directly in equity.

Current taxes are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of current taxes is based on the tax rates and tax laws applicable in the respective countries on the balance sheet date.

Material discretionary decisions, estimates and assumptions

In preparing the Consolidated Financial Statements, it has been necessary to make estimates and assumptions which may influence the carrying amounts of assets and liabilities, income and expenses as well as contingent liabilities as recognized on the balance sheet. The following significant estimates and assumptions, together with the uncertainties associated with the general accounting and valuation methods applied, are crucial in understanding the risks underlying financial reporting and the impact these estimates, assumptions and uncertainties could have on the Consolidated Financial Statements:

(a) Material discretionary decisions
Development costs
The Group capitalizes the costs of product development projects and IT projects for process optimization in the various organizational areas, e.g. production, logistics, etc. Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash flows generated by the project, discount rates to be applied and the expected period of benefits.

Determining the term of leases with extension or termination options – the Group as a lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain that the Group will exercise this option, or any periods covered by an option to terminate the lease if it is reasonably certain that the Group will not exercise this option.

The Group has concluded several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not it will exercise the option to renew or terminate the lease. That means that it considers all relevant factors that create an economic incentive for the Group to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate (e.g., construction of significant leasehold improvements or significant customization of the leased asset).

Many lease contracts, especially for real estate, include renewal and termination options. Renewal options for real-estate leases are generally for periods of two to five years. These types of contractual conditions provide the Group with maximum operational flexibility with regard to its existing contracts. The existing renewal and termination options can only be exercised by the Group, not by the lessor.

The Group has included extension periods in the lease term for rented branch offices and warehouses because this kind of real estate is of major importance to its business activities. These rental contracts have relatively short, non-cancellable remaining terms (one to three years) and a significant negative impact on business operations would be expected if the Group were unable to use alternative options. Existing renewal options for contracts with longer terms were not exercised as these were classified as not yet reasonably certain. Renewal options for vehicle leases are not included in the leases as these are only very short term (up to three months) and are only exercised if the replacement vehicle has not yet been delivered.

For details on the possible future lease payments for periods after the exercise date for renewal and termination options which are not considered in the term of the lease, refer to item 26 in these Notes.

Assessment on incorporating a minority shareholding in North America into the consolidation structure
In fiscal 2019, the Group acquired a minority shareholding in a company in North America, corresponding to 5.4 percent of the company's shares. The remaining 94.6 percent is owned by the four founders, who make all the financial and business decisions required

to run the associated company jointly and independently of the Group. The Group held one of the five member seats on the supervisory committee up until November 10, 2020 and, since then, holds only a guest seat. Through this involvement in the supervisory committee, it is informed of current business developments in good time. However, the Group does not have veto or minority rights vis-à-vis the four founders that would enable it to exert any influence over important business transactions. Based on the current situation and a wider view of all circumstances, the Group does not have any significant influence. Similarly, the Group does not have any control in accordance with IFRS 10. This financial asset is recognized in the "measured at fair value through other income" category as the Group plans to retain the shareholding in the long term for strategic reasons.

Assets held for sale
As part of its program to reduce costs and increase efficiency, which involves streamlining sales structures, the Group has classified various properties in Norway and South America, among others, as assets held for sale. Management considered that the properties met the criteria to be classified as held for sale in accordance with IFRS 5.

(b) Estimates and assumptions

Indications for impairment of tangible and intangible assets and development costs (impairment tests specific to events or circumstances)
At each closing date, the Group determines whether there are any grounds to assume that the book value of a tangible asset or an item under other intangible assets has been impaired. The Group considers the impact of the COVID-19 pandemic to be a triggering event, requiring an impairment test on capitalized development projects in accordance with IAS 36. In fiscal 2020, the Group identified grounds for significant impairment of intangible assets and an impairment loss was recognized. Refer to item 10, "Intangible assets", in these Notes for further details.

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

The fair value of pension funds measured at fair value not recognized in the income statement is derived from quoted prices on active markets. The investments in pension funds are reported in the "Investments" balance sheet line.

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

The fair values in Level 3 were determined using the discounted cash flow method. The valuation requires internal management to make certain assumptions regarding inputs to the model, including forecast cash flows, the discount rate, the default risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in internal management's estimate of fair value for these non-listed equity investments. The investments were revalued in the current fiscal year due to changed inputs, resulting in a devaluation. Refer to item 29, "Additional information on financial instruments", in these Notes for further details.

Taxes on income and earnings
At each closing date, the Group determines whether the probability of future tax benefits is sufficient to justify deferred tax assets. The recognized deferred tax assets may be lower if the estimates regarding scheduled taxable income and the tax benefits realizable through available tax strategies are lowered, or should changes to current tax legislation restrict the timeframe or feasibility of future tax benefits. Due to the effects of the COVID-19 pandemic, previous estimates and assumptions regarding planned tax results may change or are subject to significant risk. In fiscal 2020, the Group identified grounds for significant impairment of deferred tax assets and this was duly recognized. Refer to item 6, "Taxes on income", in these Notes for further details.

Tax items are calculated in line with local tax laws as applicable and the relevant administrative practices. Due to their complexity, they may be subject to differences in interpretation by tax-paying entities on the one hand, and by local fiscal authorities on the other. Different interpretations of tax laws may lead to retrospective tax payments for previous years; these are taken into consideration based on estimates made by the Group in accordance with IFRIC 23.

Value of goodwill and assets with an indefinite useful life (at least one impairment test per year)
The Group carries out an impairment test on goodwill, intangible assets of indefinite useful life and capitalized development costs at least once per year, or several times within the year if there is any indication that an asset has been impaired. This involves making estimates regarding the forecast and discounting of future cash flows. Due to the COVID-19 pandemic, an impairment test was performed on the cash-generating unit Wacker Neuson Corporation (USA) in the middle of the year under review, which led to impairment losses on goodwill. This COVID-19-triggered impairment test in the middle of the year did not identify any further need to write down the unit's other assets in the US.

For the other cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria), the most recent detailed calculation from October 2019 was used for the impairment test at H1 2020. In the last review, the detailed analysis showed that the recoverable amount significantly exceeds the carrying amount of the corresponding unit. Taking into account the sensitivity analysis, no indication of a need to recognize impairment losses was identified under the circumstances, as the recoverable amount also significantly exceeds the carrying amount in the worst-case scenario.

A further regular impairment test for all cash-generating units was performed at the end of the fiscal year. Due to the impact of the COVID-19 pandemic, previous estimates and assumptions for the parameters used in the impairment test may change or are subject to significant risk. Refer to item 10, "Intangible assets", in these Notes for further information on the calculation of impairment, the assumptions indicating impairment and the sensitivity of these assumptions.

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, ex-

pected 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.

Refer to item 19, “Provisions for pensions and similar obligations”, in these Notes for further details on this and the sensitivity of observations.

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 profit. Company management regularly analyzes the current information available about these cases and builds provisions to cover probable obligations. Assessments are performed by internal and external experts and lawyers. When reaching a decision on the need to recognize provisions, company management takes sufficient account of the probability of an unfavorable outcome and takes due care to estimate the amount of the obligation sufficiently reliably. Refer to item 28, “Other financial liabilities”, in these Notes for further information.

Deferred revenue from volume bonuses
The Group’s expected volume bonuses are estimated for contracts with a single minimum purchase quantity on a customer-specific basis. The assessment as to whether a customer is likely to qualify for a rebate depends on their historical rebate entitlements and the purchase pattern to date. Any significant changes from historical purchase patterns or historical rebate entitlements will affect the Group’s estimated expected rebate percentages. The Group updates its estimate of expected volume bonuses once a year.

Due to the impact of the COVID-19 pandemic in the US and the associated estimation uncertainty, there was a significant change in previous assumptions for the parameters used in the impairment test compared with the previous year. The impairment test resulted in a material impairment loss in the amount of EUR 13.0 million at the 2020 closing date (2019: EUR 0.4 million). Refer to item 11, “Other non-current assets”, in these Notes for further information.

ECL allowances for financial assets
Given the impact of the COVID-19 pandemic on the business performance of some Wacker Neuson Group customers, value adjustments in the total amount of EUR 33.3 million (2019: EUR 3.3 million) were recognized in profit or loss for fiscal 2020 in connection with allowances for doubtful receivables. Due to the above situation in fiscal 2020, the Group has identified key indicators of significant deterioration in the credit rating of certain customers. The majority of the risk provisions stem from the Americas reporting region and are attributable to individual value adjustments due to significant deterioration in the rating of individual isolated customers.

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

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

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by criteria such as geography, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The provision matrix is based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (such as gross domestic product) are expected to deteriorate over the next year, potentially resulting in an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

In a first step, historical default rates are applied to receivables (extended payment terms) from dealers. In a second step, this empirical risk provisioning is adjusted for specific forward-looking factors such as country risk, bulk risk and collateral provided. For this purpose, the Group uses probabilities of default available on the market for companies in specific industries and compares these with the historical analysis. If there are significant changes over time, the historical analyses are adjusted to reflect this forward-looking information. The COVID-19 pandemic may have a material impact on default rates for receivables. The analyses have confirmed this and revealed that the historical default rates need to be adjusted due to increased current default rates. This consideration of forward-looking information led to higher expected default rates in fiscal 2020 and consequently to an increase in the recognized value adjustments. Refer to item 14, “Trade receivables”, in these Notes for details on value adjustments. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. This estimate was adjusted in the current fiscal year as a result of higher expected default rates. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customers’ actual default patterns in the future, despite constant validation and adjustment.

Leases – estimate of the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease. As a result, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the interest rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR thus reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Transfer of financial assets
Within the Group, receivables are sold individually or bundled for financing purposes. This is achieved via factoring or within the framework of asset-backed transactions. In connection with the derecognition of these sold receivables, estimates or discretionary judgments were applied in the following cases in particular:

- The extent to which the risks and rewards of ownership over receivables have been transferred substantially to the transferee or have been retained by the transferor was ascertained by comparing exposure before and after the transfer, taking into account exposure to variability in the amounts and timing of the future net cash flows from the transferred asset. In this connection, the present value of the future net cash flows from the receivables had to be determined for various states and substantiated with their probability of occurrence.

- If all the risks and rewards have been neither retained nor transferred substantially, the receivables may be (partially) recognized as per the continuing involvement approach or completely derecognized depending on whether control of the transferred receivables has been transferred or retained. This involved assessing in particular whether the transferee has the right by contract and the practical ability to sell or pledge the purchased receivables in their entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this connection, assessment of the concrete impact of individual contractual provisions in particular was subject to discretionary judgments.

Value adjustment for spare parts

Assumptions and estimates are also required when determining the impairment of spare parts inventories. The introduction of a new IT solution in the Group's spare parts department in fiscal 2020 enabled spare parts to be classified into more detailed categories (ABC parts) for the first time in that year. This improvement in data quality led to recognition of a change in an accounting estimate for spare parts within the scope of IAS 8. Refer to item 13, "Inventories", in these Notes for further details.

Explanatory comments on the income statement

1 – Revenue

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

IN € MILLION

	2020	2019
Geographical segments		
Europe	1,289.7	1,379.0
Americas	270.4	459.5
Asia-Pacific	55.4	62.6
Total revenue	**1,615.5**	**1,901.1**
Business segments		
Light equipment	351.8	485.3
Compact equipment	878.9	1,052.8
Services	399.0	382.5
Less cash discounts	-14.2	-19.5
Total revenue	**1,615.5**	**1,901.1**
Source of revenue:		
Revenue generated from contracts with customers	1,427.9	1,727.2
Other revenue	187.6	173.9
Total revenue	**1,615.5**	**1,901.1**

Other revenue (source) mainly includes revenue from flexible rental solutions for machines and accessories in accordance with IFRS 16 as well as revenue from dealer financing in accordance with IFRS 9.

Revenue from services (business segment) includes revenue from flexible rental solutions for equipment and accessories in the amount of EUR 181.2 million (previous year: EUR 168.8 million). The rental period is typically short term, averaging approximately 17 days (previous year: 15 days). Revenue from dealer financing was reported at EUR 6.3 million (previous year: EUR 5.2 million).

Further information within the framework of IFRS 15 is provided in the relevant notes on the items concerned.

2 – Other income

IN € MILLION

	2020	2019
Proceeds from sale of property, plant and equipment and assets held for sale	4.0	1.5
Compensation from a cooperation agreement	2.3	–
Offsetting of non-cash benefits	2.1	1.7
Rental income on investment properties	2.0	2.5
Government grant	1.8	1.7
Income from change consolidation group	1.2	–
Insurance reimbursements	1.0	0.9
Income from the sale of scrap	0.9	1.1
Carry-forwards	0.5	0.8
Sale of concrete power trowel business	–	2.5
Closed litigation	–	1.9
Research bonus	–	0.5
Other income	2.8	2.5
Total	**18.6**	**17.6**

In the current fiscal year, the proceeds from the sale of property, plant and equipment and non-current assets held for sale increased by EUR 1.1 million (2019: EUR 0.0 million), due among other things to the sale of land in Serbia not required to date for operational reasons. In addition, as part of the program aimed at reducing costs and increasing efficiency, a piece of real estate in Norway was sold at a profit of EUR 1.5 million (2019: EUR 0.0 million).

In the previous year, the resolution of a legal dispute in the Asia-Pacific region where a Chinese court ultimately awarded damages to the Group resulted in a positive effect in the amount of EUR 1.9 million (2020: EUR 0.0 million). Also in the previous year, the sale of the concrete power trowel business resulted in proceeds in the amount of EUR 2.5 million (2020: EUR 0.0 million).

3 – Personnel expenses

Personnel expenses comprise the following:

IN € MILLION	2020	2019
Wages and salaries	288.6	315.0
Social security contributions	67.2	70.4
Expenses for pensions	7.7	7.2
Total	**363.5**	**392.6**

The expenses for pensions include the expense for pension benefits without the interest portion of the additions to provisions for pensions, which is recognized in the financial result.

Wages and salaries include expenses for redundancy payments to the following extent:

IN € MILLION	2020	2019
Redundancy payments	8.5	2.9

EUR 0.7 million (2019: EUR 0.7 million) of this is attributable to provisions for redundancy payments required by law for the sites in Austria.

The increase in redundancies resulted primarily from restructuring measures in the amount of EUR 2.6 million (2019: EUR 0.0 million) attributable to the logistics center in Karlsfeld (Germany). In addition, ongoing restructuring costs in the North-American plant in Menomonee Falls resulted in redundancy payments of EUR 1.7 million (2019: EUR 0.7 million) being recognized in the income statement. Redundancy payments also include an amount in the sum of EUR 1.0 million (2019: EUR 0.0 million) due to a change in the Executive Board.

The functional costs include the following personnel expenses:

- Cost of sales: EUR 148.4 million (2019: EUR 141.2 million).
- Sales and service expenses: EUR 119.7 million (2019: EUR 156.7 million).
- Research and development costs: EUR 41.9 million (2019: EUR 41.9 million).
- General and administrative expenses: EUR 53.4 million (2019: EUR 52.8 million).

As part of COVID-19 support programs available on a country-/state-specific basis, the Group received a total of EUR 4.1 million (2019: EUR 0.0 million) in social contribution subsidies in fiscal 2020. These were netted against the respective expenses, as follows:

- Cost of sales: EUR 2.1 million (2019: EUR 0.0 million).
- Sales and service expenses: EUR 0.7 million (2019: EUR 0.0 million).
- Research and development costs: EUR 0.7 million (2019: EUR 0.0 million).
- General and administrative expenses: EUR 0.6 million (2019: EUR 0.0 million).

State subsidies for social contributions were received in the form of payments for short-time work models in Germany and Austria, and on the basis of similar programs in other countries.

The average number of employees broken down according to fields of activity is as follows for the period under review (not including staff employed under leasing contracts):

	2020	2019 adjusted
Production	2,701	2,931
Sales and service	1,505	1,583
Research and development	505	493
Administration	559	569
Total	**5,270**	**5,576**

4 – Other operating expenses

IN € MILLION	2020	2019
Impairment on goodwill	9.2	–
Losses on the disposal of property, plant and equipment	1.2	1.0
Other expenses	1.4	0.9
Total	**11.8**	**1.9**

The increase in other operating expenses is primarily attributable to an impairment loss in the amount of EUR 9.2 million on the goodwill associated with the US subgroup. Refer to item 10, "Intangible assets", in these Notes for further information.

5 – Financial result

a) Financial income

IN € MILLION	2020	2019
Interest and similar income	1.8	2.4
Foreign exchange gains	–	2.2
Income from foreign exchange contracts	7.4	1.0
Total	**9.2**	**5.6**

The Group enters into external swap agreements to counter-finance foreign currency loans extended internally. The results of this included income in the amount of EUR 7.4 million in the period under review (2019: EUR 1.0 million). This is offset by expenses in the amount of EUR 4.6 million (2019: EUR 0.8 million) from internal foreign currency loans, which are hedged as the transaction underlying the swaps in line with the Group's risk management strategy. These hedged exchange losses in the amount of EUR 4.6 million (2019: EUR 0.8 million) are included in financial expenses (2019: financial income) under net currency losses (2019: currency gains).

b) Financial expenses

IN € MILLION

	2020	2019
Interest and similar expense	12.5	14.6
Foreign exchange losses	13.9	–
Expenses from foreign exchange contracts	4.2	6.6
Other	0.3	–
Total	**30.9**	**21.2**

Interest and similar income was netted against interest and similar expense in the amount of EUR 1.2 million (2019: EUR 1.4 million) in the reporting year. Refer to item 16, “Cash and cash equivalents”, in these Notes for further information.

The Group enters into external swap agreements to counter-finance foreign currency loans extended internally. The results of this included an expense in the amount of EUR 4.2 million in the period under review (2019: EUR 6.6 million). This is offset by income in the amount of EUR 1.5 million (2019: EUR 3.1 million) from internal foreign currency loans, which are hedged as the transaction underlying the swaps in line with the Group’s risk management strategy. These hedged exchange gains in the amount of EUR 1.5 million (2019: EUR 3.1 million) are included in financial income (2019: financial income) under net currency gains (2019: currency gains).

Interest and similar expense includes an impairment loss of EUR 0.4 million resulting from a correction of prior-year figures relating to the valuation category of a minority shareholding in Austria. Refer to the “Changes to accounting and valuation methods” section for further information.

6 – Taxes on income

Expense for taxes on income comprises the following:

IN € MILLION

	2020	2019
Current tax expense	23.1	40.3
Deferred tax expense	16.6	8.7
Total	**39.7**	**49.0**

Actual taxes include adjustments of EUR 3.3 million as income (2019: EUR 1.8 million income) for previous fiscal years. These resulted primarily from loss carry-backs in the US.

In determining deferred taxes, a corporation tax rate of 15 percent and a solidarity surcharge of 5.5 percent were taken into account for domestic companies. Trade taxes were also taken into account at the relevant trade tax rate. In the case of foreign companies, the applicable or expected tax rates were used for each calculation.

Deferred income tax from items reported under other comprehensive income during the year under review:

IN € MILLION

	2020	2019
Other comprehensive income to be recognized in the income statement in subsequent periods		
Cash flow hedges	-0.1	0.4
Total	**-0.1**	**0.4**
Other comprehensive income not to be recognized in the income statement in subsequent periods		
Reclassification from defined pension commitments	1.1	2.9
Total	**1.1**	**2.9**
Total	**1.0**	**3.3**

Reconciliation of calculated tax to actual tax expense:

IN € MILLION

	2020	2019
EBT	53.8	137.5
Tax at the applicable rate: 28.82% (previous year: 29.56%)	15.5	40.7
Variance in Group tax rates	0.4	-4.3
Adjustments to actual income taxes paid in earlier years	-3.3	-1.8
Tax effects of non-deductible expenses and tax-exempt income	2.5	5.5
Tax rate changes	-0.3	-0.1
Tax effects of deferred tax assets arising from losses carried forward	15.9	8.6
Impairment on deferred tax assets	7.0	0.2
Other	2.0	0.2
Total	**39.7**	**49.0**

Taxes on income are calculated by applying the Group’s uniform tax rate of 28.82 percent (2019: 29.56 percent) to profit before tax.

The item “Tax effects of non-deductible expenses and tax-exempt income” includes, among other things, the tax burden on dividend income. As no dividends were paid out this year, this item is lower than in the previous year. It should be noted here that internal Group dividends are eliminated. However, the tax burden on dividend income is included in tax expenditure.

Deferred tax assets and liabilities are allocated to the following balance sheet items:

IN € MILLION

	2020 Deferred tax assets	2020 Deferred tax liabilities	2019 Deferred tax assets	2019 Deferred tax liabilities
Recognition and valuation differences: intangible assets	–	44.4	–	38.6
Valuation differences: tangible assets and rental	14.2	15.3	14.1	15.6
Valuation differences: inventories	10.8	3.4	14.4	1.9
Valuation differences: receivables	7.6	0.2	6.2	–
Valuation differences: IFRS 16	1.4	–	1.3	–
Valuation differences: provisions for pensions	12.5	3.1	11.2	2.5
Valuation differences: liabilities	5.4	1.1	5.4	–
Loss carry-forwards	1.6	–	6.7	–
Other	8.1	8.6	9.1	8.3
Total	**61.6**	**76.1**	**68.4**	**66.9**
Net	**-32.2**	**-32.2**	**-30.1**	**-30.1**
Balance sheet item	**29.4**	**43.9**	**38.3**	**36.8**

Deferred tax recognized in the consolidated balance sheet aligns with the deferred tax recognized in the balance sheets of individual Group companies. Deferred tax assets and liabilities were netted at the level of the individual company as appropriate.

Deferred tax liabilities for intangible assets mainly result from the recognition of brand value in conjunction with the acquisition of Weidemann and Neuson Kramer.

Rental equipment and inventories include deferred taxes resulting from the evaluation of rental equipment and inventories at Group cost of goods manufactured.

Unused tax losses for which no deferred tax receivable was recognized in the balance sheet amount to EUR 84.3 million (2019: EUR 56.6 million). This includes unused tax interest carry-forwards from the US company in the amount of EUR 8.9 million (2019: EUR 9.5 million). Unused tax loss carry-forwards in the amount of EUR 16.6 million are attributed to the Americas segment, where they can be carried forward for a period of up to three years. A further EUR 15.8 million in unused tax loss carry-forwards are recognized for the Asia-Pacific segment, where they can be carried forward for a period of five years. All other loss carry-forwards can be carried forward for an unlimited period of time.

With respect to deferred tax assets, EUR 1.6 million (2019: EUR 6.7 million) are allocable to individual companies which incurred losses in the current or prior reporting period. The reason for the capitalization is attributable to signs of an improvement in the earnings situation in coming years, which is to be expected as a result of appropriate management measures. Therefore it can be assumed that the companies will achieve taxable earnings in the future. Deferred tax effects of tax loss carry-forwards were also recognized for companies with a loss history to the extent that the losses reported are attributable to one-off effects in the respective companies. In such cases, management assumes that the causes of the losses have been resolved and the company in question will be posting positive earnings in the future. In response to the effects of the COVID-19 pandemic and in due consideration of the drop in estimated planned tax income, the Group assessed and evaluated whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. An impairment need was identified for deferred tax assets on loss carry-forwards in the amount of EUR 4.3 million and for deferred tax assets relating to temporary differences compared to previous years in the amount of EUR 7.0 million. These adjustments were recognized in the income statement. In the previous year, the deferred tax expense as a result of a drop in deferred tax receivables recognized from previous years amounted to EUR 4.1 million. In addition, no deferred taxes in the amount of EUR 11.5 million (2019: EUR 5.7 million) were recognized for losses reported in 2020 as it is not assumed that taxable profit will be available within the next five years against which these tax loss carry-forwards can be utilized or because the company in question has a history of losses.

Deferred taxes from pension obligations in the amount of EUR 11.7 million (2019: EUR 10.6 million) and from cash flow hedges in the amount of EUR 0.2 million (2019: EUR 0.3 million) were recognized directly in equity. All other deferred tax was recognized in the income statement.

Deferred taxes on undistributed profits of affiliates were recognized only if distribution is planned based on the Group's internal regulations. Deferred tax liabilities of EUR 0.9 million (2019: EUR 0.6 million) were recognized on this. The amount available for distribution is EUR 90.5 million (2019: EUR 50.9 million).

7 – Earnings per share

	2020	2019
Earnings of the current year attributable to shareholders in € million	14.1	88.5
Weighted average number of shares outstanding during current period	70.14	70.14
Undiluted earnings per share in €	**0.20**	**1.26**
Diluted earnings per share in €	**0.20**	**1.26**

According to IAS 33, earnings per share are calculated by dividing the total profit/loss for the year attributable to Wacker Neuson SE shareholders by the weighted average number of shares issued.

Explanatory comments on the balance sheet

8 – Property, plant and equipment

a) Property, plant and equipment including right-of-use lease assets

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

IN € MILLION

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/ Assets under con-struction	Total
Acquisition costs					
Balance at January 1, 2020	411.3	132.4	131.3	15.8	690.8
Exchange rate differences	-5.6	-2.3	-1.9	-0.2	-10.0
Change in consolidation group	-0.9	–	-0.6	–	-1.5
Additions	18.3	8.4	14.8	28.7	70.2
Disposals	-11.9	-13.5	-11.5	–	-36.9
Transfers to non-current assets held for sale and property held as financial investment	-11.9	-0.3	-1.0	–	-13.2
Transfers	7.1	4.5	0.4	-12.0	–
Balance at December 31, 2020	**406.4**	**129.2**	**131.5**	**32.3**	**699.4**
Accumulated depreciation					
Balance at January 1, 2020	121.1	92.5	76.9	–	290.5
Exchange rate differences	-1.9	-1.7	-1.2	–	-4.8
Change in consolidation group	-0.1	–	-0.5	–	-0.6
Additions	22.9	10.0	16.3	–	49.2
Impairment	1.5	2.8	0.8	0.1	5.2
Disposals	-4.2	-12.5	-9.7	–	-26.4
Transfers to non-current assets held for sale and property held as financial investment	-4.3	-0.2	-0.8	–	-5.3
Balance at December 31, 2020	**135.0**	**90.9**	**81.8**	**0.1**	**307.8**
Book value at December 31, 2019	**290.2**	**39.9**	**54.4**	**15.8**	**400.3**
Book value at December 31, 2020	**271.4**	**38.3**	**49.7**	**32.2**	**391.6**
Useful life in years	16–50	1–10	1–15		

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/ Assets under construction	Total
Acquisition costs					
Balance at January 1, 2019	316.7	131.8	97.2	8.4	554.1
First adoption IFRS 16	57.8	0.1	11.4	–	69.3
Exchange rate differences	1.8	0.9	0.6	-0.1	3.2
Change in consolidation structure	–	–	–	–	–
Additions	41.4	7.5	26.3	15.9	91.1
Disposals	-10.5	-10.6	-5.8	–	-26.9
Transfers	4.1	2.7	1.6	-8.4	–
Balance at December 31, 2019	**411.3**	**132.4**	**131.3**	**15.8**	**690.8**
Accumulated depreciation					
Balance at January 1, 2019	101.9	91.9	65.6	0.1	259.5
Exchange rate differences	0.5	0.6	0.3	-0.1	1.3
Change in consolidation structure	–	–	–	–	–
Additions	21.0	9.4	15.8	–	46.2
Impairment	0.3	0.1	–	–	0.4
Disposals	-2.6	-9.5	-4.8	–	-16.9
Transfers	–	–	–	–	–
Balance at December 31, 2019	**121.1**	**92.5**	**76.9**	**–**	**290.5**
Book value at December 31, 2018	**214.8**	**39.9**	**31.6**	**8.3**	**294.6**
Book value at December 31, 2019	**290.2**	**39.9**	**54.4**	**15.8**	**400.3**
Useful life in years	16 – 50	1 – 10	1 – 15		

Land is considered to have an unlimited useful life.

Total write-downs and impairment losses on property, plant and equipment, investment properties, goodwill, intangible assets and rental equipment (see item 12, “Rental”, in these Notes) reported in the Group income statement amounted to EUR 129.1 million (2019: EUR 104.4 million).

IN € MILLION

	2020	2019
Functional lines		
Cost of sales	75.4	66.0
Sales and service expenses	23.6	22.0
Research and development expenses	3.9	2.6
Administration expenses	17.0	13.8
Other expenses	9.2	–
Total write-downs	**129.1**	**104.4**

Depreciation amounted to EUR 88.3 million excluding rental equipment (2019: EUR 63.3 million). The increase of EUR 24.7 million in total write-downs and impairment losses to EUR 129.1 million (2019: EUR 104.4 million) is primarily attributable to a rise in impairment losses, which is broken down as follows:

IN € MILLION

	2020	2019
Functional lines		
Cost of sales	9.0	0.2
Sales and service expenses	1.6	0.3
Research and development expenses	0.2	–
Administration expenses	0.9	–
Other expenses	9.2	–
Total impairment losses	**20.9**	**0.5**
Regions		
Europe	4.9	0.4
Americas	12.5	0.1
Asia-Pacific	3.5	–
Total impairment losses	**20.9**	**0.5**

Given the impact of the COVID-19 pandemic, the business prospects of all key Group entities were reviewed. Impairment losses of EUR 9.2 million (2019: EUR 0.0 million) recognized under other operating expenses include the impairment of goodwill attributed to the US subgroup (refer to item 10, “Intangible assets”, for details). The review of business prospects revealed a number of impairment losses in connection with intangible assets in the amount of EUR 6.5 million (2019: EUR 0.0 million). This included value adjustments primarily for capitalized product developments in the amount of EUR 5.6 million (2019: EUR 0.0 million). → See page 114

Given the high levels of uncertainty, the Executive Board re-evaluated all planned investments and – wherever possible and advisable – postponed these in order to further secure liquidity. The investments in property, plant and equipment included investment in an expansion of production and logistics at the Korbach and Pfullendorf sites. These expansion measures were the main factor in the increase in additions to down-payments / assets under construction to EUR 28.7 million (2019: EUR 15.9 million).

Reclassifications of the down-payments / assets under construction increased to EUR 12.0 million (2019: EUR 8.4 million). This increase was largely influenced by the expansion of production logistics at Kramer (Pfullendorf) and the additional expansion of logistics at the factory site in Reichertshofen, both of which became operational in 2020.

As part of the Group's program to reduce costs and increase efficiency and given the increased focus on core markets, sales structures have been clearly streamlined. This has led to reclassifications (total book value: EUR 7.9 million) in the values recognized for acquisition costs in the amount of EUR 13.2 million and for accumulated depreciation in the amount of EUR 5.3 million. These were reclassified to the "Property held as financial investment" and "Non-current assets held for sale" lines on the balance sheet. Real estate in Sweden with a book value of EUR 1.3 million is classified as "Property held as financial investment" and held to generate rental income (see item 9, "Property held as financial investment", → page 112). Optimization of sales structures has meant that additional assets in the amount of EUR 6.6 million are held for sale (see item 17, "Non-current assets held for sale", → page 120); these are largely comprised of real estate.

b) Right-of-use lease assets

The following tables show the development of right-of-use lease assets, displayed by property, plant and equipment categories.

Refer to item 26, "Lease liabilities", in these Notes for detailed information on the content of the underlying leases. We refer to this item to avoid duplicating information.

	Land and buildings	Machinery and equipment	Office and other equipment	Total
Acquisition costs				
Book value at January 1, 2020	76.9	0.1	24.9	101.9
Exchange rate differences	-0.2	-0.1	–	-0.3
Additions	14.8	–	7.5	22.3
Reclassifications	-1.7	–	–	-1.7
Disposals	-9.7	–	-3.7	-13.4
Balance at December 31, 2020	**80.1**	**–**	**28.7**	**108.8**
Accumulated depreciation				
Balance at January 1, 2020	12.9	–	6.2	19.1
Exchange rate differences	–	–	–	–
Additions	15.3	–	7.2	22.5
Reclassifications	-0.3	–	–	-0.3
Impairment losses	0.1	–	–	0.1
Disposals	-3.2	–	-2.6	-5.8
Balance at December 31, 2020	**24.8**	**–**	**10.8**	**35.6**
Book values at January 1, 2020	**64.0**	**0.1**	**18.7**	**82.8**
Book values at December 31, 2020	**55.3**	**–**	**17.9**	**73.2**

	Land and buildings	Machinery and equipment	Office and other equipment	Total
Acquisition costs				
Book value at January 1, 2019	57.8	0.1	11.4	69.3
Exchange rate differences	0.3	–	0.1	0.4
Additions	26.5	–	14.1	40.6
Disposals	-7.7	–	-0.7	-8.4
Balance at December 31, 2019	**76.9**	**0.1**	**24.9**	**101.9**
Accumulated depreciation				
Balance at January 1, 2019	–	–	–	–
Exchange rate differences	–	–	–	–
Additions	13.6	–	6.5	20.1
Impairment losses	–	–	–	–
Disposals	-0.7	–	-0.3	-1.0
Balance at December 31, 2019	**12.9**	**–**	**6.2**	**19.1**
Book values at January 1, 2019	**57.8**	**0.1**	**11.4**	**69.3**
Book values at December 31, 2019	**64.0**	**0.1**	**18.7**	**82.8**

9 – Property held as financial investment

The table below shows the development of investment properties held during the years 2019 and 2020:

IN € MILLION

	2020	2019
Acquisition costs		
Balance at January 1	38.4	38.4
Exchange rate differences	–	–
Additions	–	–
Disposals	-0.1	–
Transfers	1.6	–
Balance at December 31	**39.9**	**38.4**
Accumulated depreciation		
Balance at January 1	13.1	12.6
Exchange rate differences	–	–
Additions	0.4	0.5
Disposals	-0.1	–
Transfers	0.3	–
Balance at December 31	**13.7**	**13.1**
Book value at January 1	**25.3**	**25.8**
Book value at December 31	**26.2**	**25.3**

DETAILS ON PROPERTIES

PROPERTY

	Book value as at Dec. 31, 2020 in € MILLION	Fair value as at Dec. 31, 2020 in € MILLION	Calculation method	Depreciation method	Useful life
Germany	24.9	43.2			
Munich	11.0	23.2	German income approach	Straight-line	50 years
Überlingen	13.9	20.0	Survey/German income approach	Straight-line	25–50 years
Sweden	1.3	1.3	Survey/German income approach	Straight-line	50 years
Total	**26.2**	**44.5**			

PROPERTY

	Book value as at Dec. 31, 2019 in € MILLION	Fair value as at Dec. 31, 2019 in € MILLION	Calculation method	Depreciation method	Useful life
Deutschland	25.2	42.9			
München	11.3	22.9	German income approach	Straight-line	50 years
Überlingen	13.9	20.0	Survey/German income approach	Straight-line	25–50 years
Spain	0.1	0.1	Survey/German income approach	Straight-line	50 years
Total	**25.3**	**43.0**			

The earnings derived from investment properties are shown in the table below:

IN € MILLION

	2020	2019
Rental income	2.0	2.4
Depreciation and impairment	-0.4	-0.5
Other expenses	-0.2	-0.1
Total	**1.4**	**1.8**

These figures are allocated to the European segment.

Investment properties include the land and buildings listed above, which have all been rented to third parties or are intended to be rented to third parties. The reported depreciation methods and useful lives only affect the buildings listed.

The evaluation methods applied are listed in the table above.

The key, unobservable inputs used to evaluate investment properties are as follows (measurement of fair value at hierarchy level 3):

The fair values of properties were determined in some cases by surveyors using the German income approach and discounted cash flow methods. These evaluations are based on the standardized land valuations, standard market rents, estimated running costs and estimated residual useful lives inputs.

10 – Intangible assets

a) Goodwill

Goodwill developed as follows:

IN € MILLION

	2020	2019
Balance at January 1	237.8	237.8
Foreign currency fluctuations	0.1	0.2
Impairment	9.2	–
Disposals	–	-0.2
Balance at December 31	**228.7**	**237.8**

Based on the Group's updated business planning and an impairment test on the assets of the US subgroup, the goodwill attributed to that entity in the amount of EUR 9.2 million has been fully written down (refer to subsection "c) Impairment of goodwill and intangible assets with an indefinite useful life" → page 115). The impairment in the amount of EUR 9.2 million is disclosed under other operating expenses and allocated to the Americas region.

b) Other intangible assets

→ See table on page 114

The expected residual useful lives and residual book values of other intangible assets are as follows:

IN € MILLION

	Book value on Dec. 31, 2020	Book value on Dec. 31, 2019	Useful life
Brands	64.8	64.8	Indefinite
Customer base	0.9	1.1	10 years
Software development	21.6	16.5	1 – 8 years
Total	**87.3**	**82.4**	

Other intangible assets include EUR 22.0 million for the brand name "Weidemann" resulting from the acquisition of Weidemann GmbH in 2005. Due to the strong market position of Weidemann GmbH, the brand name and trademark are considered to have an unlimited useful life.

EUR 42.8 million was recognized for the brand name in connection with the merger with the Neuson Kramer Group. This is also considered to have an unlimited useful life due to the company's strong market position. Wacker Neuson SE does not own the Neuson logo. This is owned by the PIN Private Trust (PIN Privatstiftung), which is part of the group founded by the Chairman of the Supervisory Board, Johann Neunteufel. Subject to certain guidelines, however, the company has an exclusive, irrevocable and unlimited free-of-charge license to use this brand in conjunction with the name "Wacker".

The acquisition of KLC SERVIS s.r.o. in 2018 resulted in a customer base amounting to EUR 1.2 million. This is amortized on a straight-line basis over 10 years.

Internally produced intangible assets refer to capitalized development costs. Software developments also refer to capitalized costs for software.

In fiscal 2020, an impairment test on internally produced intangible assets prompted by a change in circumstances indicated grounds for an impairment loss in the amount of EUR 6.5 million (2019: EUR 0.0 million). Assets were individually tested for impairment.

IN € MILLION

	2020	2019
Functional lines		
Cost of sales	5.4	–
Research and development expenses	0.2	–
General administrative expenses	0.9	–
Total impairment losses	**6.5**	**–**
Regions		
Europe	3.4	–
Americas	1.3	–
Asia-Pacific	1.8	–
Total impairment losses	**6.5**	**–**

As part of the program to reduce costs and increase efficiency, which involves streamlining sales structures, IT developments (including developments for SAP customizations) in the amount of EUR 0.9 million (2019: EUR 0.0 million) were written down and allocated to the Europe region. An impairment loss in the amount of EUR 5.6 million (2019: EUR 0.0 million) was recognized for capitalized product developments (including developments for 9-ton loaders, 6-ton excavators and generators for the South American market) as a result of the impairment test prompted by a change in circumstances.

The gains in intangible assets under development mainly result from product developments and the capitalization of IT projects. The reclassifications for intangible assets under development increased by EUR 16.4 million relative to the previous year to EUR 42.4 million (2019: EUR 26.0 million). This is attributable to the completion of product development work for wheel loaders, telescopic wheel loaders and backhoe loaders as a result of emissions standards (TIER V). In addition to this, key IT projects went live, including SAP IBP (Integrated Business Planning), which is enabling the gradual integration of sales and production planning across all operative Group companies. A new rental software (FIT Rent) to improve resource allocation and capacity utilization of rental equipment also went live.

DEVELOPMENT OF INTANGIBLE ASSETS

IN € MILLION

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2020	32.9	92.9	81.1	45.5	252.4
Exchange rate differences	-0.7	-0.1	-1.4	-0.3	-2.5
Change in consolidation structure	–	–	–	–	–
Additions	1.1	0.5	0.2	37.1	38.9
Disposals	-0.8	-0.9	-7.1	-0.3	-9.1
Transfers	–	11.1	31.3	-42.4	–
Balance at December 31, 2020	**32.5**	**103.5**	**104.1**	**39.6**	**279.7**
Accumulated depreciation					
Balance at January 1, 2020	25.9	10.5	50.1	–	86.5
Exchange rate differences	-0.7	–	-0.9	–	-1.6
Change in consolidation structure	–	–	–	–	–
Additions	2.1	4.3	11.4	–	17.8
Impairment	–	2.0	4.3	0.2	6.5
Disposals	-0.7	-0.6	-7.1	–	-8.4
Transfers	–	–	–	–	–
Balance at December 31, 2020	**26.6**	**16.2**	**57.8**	**0.2**	**100.8**
Book value at December 31, 2019	**7.0**	**82.4**	**31.0**	**45.5**	**165.9**
Book value at December 31, 2020	**5.9**	**87.3**	**46.3**	**39.4**	**178.9**
Useful life in years	3 – 8	1 – 8	5 – 6		

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2019	30.0	84.4	64.9	36.7	216.0
Exchange rate differences	0.2	–	0.2	0.1	0.5
Change in consolidation structure	–	–	–	–	–
Additions	2.3	1.8	-0.2	34.8	38.7
Disposals	-0.9	-0.7	-1.1	-0.1	-2.8
Transfers	1.3	7.4	17.3	-26.0	–
Balance at December 31, 2019	**32.9**	**92.9**	**81.1**	**45.5**	**252.4**
Accumulated depreciation					
Balance at January 1, 2019	24.5	8.2	39.7	0.1	72.5
Exchange rate differences	0.1	–	0.2	–	0.3
Change in consolidation structure	–	–	–	–	–
Additions	2.0	2.9	11.2	–	16.1
Impairment	–	–	–	–	–
Disposals	-0.7	-0.6	-1.1	–	-2.4
Transfers	–	–	0.1	-0.1	–
Balance at December 31, 2019	**25.9**	**10.5**	**50.1**	**–**	**86.5**
Book value at December 31 2018	**5.5**	**76.2**	**25.2**	**36.6**	**143.5**
Book value at December 31, 2019	**7.0**	**82.4**	**31.0**	**45.5**	**165.9**

c) Impairment of goodwill and intangible assets with an indefinite useful life

The goodwill and indefinite-lived Weidemann and Neuson brands obtained through mergers were allocated for impairment testing to the following cash-generating units within the Americas or Europe segments:

- Weidemann GmbH (Germany)
- Wacker Neuson Corporation (USA)
  - Wacker Neuson Beteiligungs GmbH (subgroup/Austria)

The pro rata book values break down as follows:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Wacker Neuson America Corporation		
Book value of goodwill	–	9.2
Weidemann GmbH		
Book value of goodwill	24.2	24.2
Book value of the indefinite-lived brand	22.0	22.0
Wacker Neuson Beteiligungs GmbH (subgroup/Austria)		
Book value of goodwill	204.4	204.4
Book value of the indefinite-lived brand	42.8	42.8
Book value of goodwill	**228.6**	**237.8**
Book value of the indefinite-lived brand	**64.8**	**64.8**

With the exception of the year when they were first recognized in the balance sheet, the carrying amounts of goodwill and indefinite-lived brands are verified during the annual impairment test or subjected to an additional impairment test if there are indications of asset impairment. For this purpose, the book value is compared with the “fair value less cost to sell”. The “fair value less cost to sell” is determined using the discounted cash flow method (measurement of fair value at hierarchy level 3). Future cash flows are discounted to the respective reporting date. Value is impaired if the “fair value less cost to sell” is lower than the carrying value.

General economic conditions

The Wacker Neuson Group reported significant revenue losses in fiscal 2020 due to the effects of the coronavirus pandemic. The protective measures implemented by many countries, institutions and companies interrupted construction activity and supply chains, particularly during the first half of the year. Widespread lockdowns and major uncertainties about how the pandemic would develop had a markedly negative impact on customers’ investment behavior and also the Wacker Neuson Group’s business situation.

In Europe, revenue for 2020 fell 6.5 percent relative to the previous year to EUR 1,289.7 million (2019: EUR 1,379.0 million). Widespread lockdowns negatively impacted business in France and Spain in particular, causing double-digit revenue losses. Revenue also decreased markedly in Northern European countries and Poland. In contrast, business developed more positively in Germany, Austria and Switzerland, where the Group benefited from its particularly dense network of dealers and its own sales affiliates. The Group was able to compensate somewhat for downturns in new equipment sales with revenue gains in the services segment. Business with agricultural equipment manufactured by the Group brands Kramer and Weidemann also had a stabilizing effect here with revenue decreasing by 2.5 percent to EUR 304.3 million (2019: EUR 310.2 million).

The Americas region was particularly hard hit by COVID-19 and revenue for the region fell 41.2 percent to EUR 270.4 million (2019: EUR 459,5 million). This was primarily attributable to the strong reticence to invest among dealers, major customers and rental chains. In light of the rapid spread of the coronavirus in the second quarter, sluggish demand and comparatively high inventory levels, the US plant in

Menomonee Falls was largely closed down from April onwards. The first production lines were gradually ramped up again towards the end of the third quarter in response to positive order intake trends.

Cash-generating unit Wacker Neuson Corporation (USA)
The Group carries out its annual scheduled impairment test on goodwill and intangible assets with an indefinite useful life in the fourth quarter of each year. In fiscal 2020, the COVID-19 pandemic had a particularly marked impact on business in North America, where demand from key accounts in particular, including rental companies, developed significantly below internal projections. As a result, expectations in relation to the business performance of this region were adjusted in the period under review. The Group views the COVID-19 pandemic and its serious ramifications for US business developments as a triggering event requiring an additional impairment test during the year. Consequently, it tested the goodwill attributed to the Wacker Neuson Corporation – USA entity in May 2020.

Parameters for May 2020: The revised WACC amounted to 8.40 percent (2019: 9.23 percent). Estimates of the growth rate used to extrapolate cash flows beyond the forecast period (5.0 percent) and the growth rate of the perpetual annuity (2.0 percent) remained unchanged relative to the end of 2019. The need to recognize an impairment loss stemmed primarily from a drop in expected future revenue caused by the COVID-19 pandemic and the resulting decrease in free cash flows as well as comparatively high levels of inventory. Production at the US facility in Menomonee Falls was largely halted from April. Free cash flow rates (free cash flow expressed as a percentage of revenue) changed slightly and were expected to amount to 27 percent for the remainder of 2020 (2019: 24 percent). After this, the Group expected them to settle in a corridor between 3.3 percent and 13.7 percent (2019: 2.50 percent to 4.61 percent). The increase in relative free cash flow rates in the business plan is primarily due to the drop in revenue as well as positive effects from the development of net working capital.

Based on updated business planning and an impairment test on the assets of the US subgroup, the goodwill attributed to that entity in the amount of EUR 9.2 million was fully written down as at H1 2020. The impairment loss is recognized under other expenses and allocated to the Americas segment. Apart from the goodwill attributed to the US entity, this mid-year impairment test prompted by a change in circumstances did not indicate any further need to recognize impairment losses for other assets.

In light of the effects of the COVID-19 pandemic on the business situation and the associated uncertainty regarding planning data, an impairment test prompted by a change in circumstances was carried out on individual assets in the second half of 2020. This primarily involved non-current trade receivables and prepaid volume bonuses (refer to item 11, "Other non-current assets"). Alongside receivables from customers, the value of property, plant and equipment (refer to item 8, "Property, plant and equipment") and intangible product developments (refer to subsection "b) Other intangible assets") were verified.

In November, after finalizing the new budget figures and in light of the planning uncertainty surrounding the COVID-19 pandemic, the impairment test on the US entity was updated. There were no further adjustments.

Parameters for November 2020: Cash flow projections are based on financial plans approved by management for a period of three years (until 2023). The discount rate after tax applied to the cash flow projections is 8.50 percent (2019: 9.23 percent). Cash flows beyond the three-year period are extrapolated using a 3.8-percent growth rate (2019: 5.0 percent) for a further two years (until 2025). Despite losses in the past, management anticipates rising positive cash flows, as negative one-off effects have increasingly placed a burden on the results of the cash-generating unit in recent fiscal years. Management expects that the completion of restructuring efforts, which among other things has significantly reduced vertical integration, and the modification of plant and distribution logistics, which has contributed to reduced complexity, will contribute to a sustained rise in earnings.

A 10.00-percent decrease in free cash flow from operating activities accompanied by a 1-percent increase in the discount rate would result in the need to recognize impairment losses for the US entity.

Cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria)
The Group carries out an impairment test on goodwill once a year or more often if there is indication that an asset has been impaired. With regard to the cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria), the impairment test as at H1 2020 was based on the most recent in-depth calculation from October 2019. The previous test had revealed that the recoverable amounts significantly exceeded the carrying values of each unit. Taking into account a sensitivity analysis, no indication of a need to recognize impairment losses was identified under the circumstances in May 2020, as the recoverable amount significantly exceeds the carrying amount even in the worst-case scenario. The annual impairment test was duly completed in November 2020.

Parameters for November 2020: Cash flow projections are based on financial plans approved by management for a period of three years (until 2023). The discount rate after tax applied to the cash flow projections is 7.60 percent (2019: 7.39 percent). Cash flows beyond the three-year period are extrapolated using a 2.6- to 3.4-percent growth rate (2019: 5.0 percent) for a further two years (until 2025). This growth rate exceeds the average growth forecast for the industry. However, the cash-generating unit has already achieved above-average growth in the past. Management expects this trend to continue. The test revealed that the fair value less cost to sell exceeds the carrying value, indicating that no need to recognize impairment losses.

A 10.00-percent decrease in operating free cash flows would not result in an impairment for either of the two cash-generating units, even if accompanied by a 1-percent increase in the discount rate and a reduction in the growth rate to 0 percent in perpetual annuity.

Key assumptions used in calculating fair value less cost to sell and sensitivity to changes in assumptions
The calculation of fair value less cost to sell is based on assumptions, which in turn are dependent on the following uncertain estimates:

- Free cash flow
- Discount rates
- Growth rate used to extrapolate cash flows beyond the forecast period
- Perpetual annuity

Free cash flow after tax: Free cash flow is calculated based on a detailed planning phase from 2021 to 2024. Growth rates for the cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria) are determined for the first three budget years (until 2023) based on the market environment, taking past values into account. The growth rate for the cash-generating unit Wacker Neuson Corporation (USA) is determined for the first four years based on the market environment, taking past values into account. These estimates took into account the fact that the free cash flows of the cash-generating unit Wacker Neuson Corporation (USA) had been burdened by one-off effects in recent years. Thanks to the countermeasures that have been initiated and executed, management expects that such negative one-off effects will not lead to any further impairment. Higher growth rates than the forecast average growth for the industry result from above-average growth already achieved by the cash-generating units in the past.

Discount rates: These reflect management's assessment of the risks associated with cash-generating units. In addition to a risk-free interest rate, a risk-weighted rate is also taken into account. The weighted average cost of capital (WACC) after tax is applied at a rate of 7.60 percent (2019: 7.39 percent) for the two cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria), and at 8.50 percent (2019: 9.23 percent) for the Wacker Neuson Corporation (USA) unit.

Growth rate estimates: Management and affiliates estimate growth rates based on local market dynamics. Various scenarios with annual EBIT growth of between 2.6 and 3.8 percent were created to extrapolate cash flows beyond the forecast period for the three cash-generating units Weidemann GmbH, Wacker Neuson Corporation (USA) and Wacker Neuson Beteiligungs GmbH (subgroup/ Austria). A negative scenario with EBIT growth of just 2 percent from 2023 onwards was also calculated for the three cash-generating units.

Market capitalization of Wacker Neuson SE Group

The Group considers the relationship between its market capitalization and its book value, among other factors, when checking for indications of impairment. Closing at EUR 17.05 at the end of 2019, the Wacker Neuson SE share recorded its low for the year of EUR 8.47 on March 12, 2020. The share's performance largely mirrored that of the Prime Industrials Performance Index on the German stock exchange. Given the impact of the COVID-19 pandemic, the Executive Board of Wacker Neuson SE reviewed the business prospects of all key Group entities. Based on the Group's updated business planning and impairment test carried out on various individual assets, a number of material impairment indicators and resulting impairment losses were recognized in the income statement.

After reaching its low point for the year, the share entered a recovery phase that continued into the fall. At EUR 18.37, the share reached its high for the year on October 12, plateauing in the fourth quarter just under the year's high and closing on the last day of 2020 trading at EUR 17.51. At December 31, 2020, the market capitalization of the Group was slightly above the book value of its equity.

11 – Other non-current assets

Other non-current assets are composed of the following items:

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019 adjusted
Non-current trade receivables	85.8	101.7
Prepaid volume bonuses to US dealers	10.3	21.0
Non-current receivables from finance lease	7.4	15.4
Investment securities	1.6	1.6
Continuing involvement	1.5	2.9
Misc. other non-current financial assets	3.1	2.1
Other non-current financial assets	**109.7**	**144.7**
Other non-current non-financial assets	**–**	**0.1**
Total	**109.7**	**144.8**

Non-current trade receivables largely resulted from sales promotion activities in the US. Delivered products are subject to retention of title and personal sureties. Non-current trade receivables, non-current finance lease receivables and prepaid volume bonuses to US dealers include a financing component that generates income from customer financing and is reported as revenue arising in the course of ordinary activities.

Expenses arising from allowances for doubtful receivables are reported under sales and service expenses. At December 31, allowances were broken down as follows:

IN € MILLION	2020	2019
Division of allowances		
Non-current trade receivables	96.1	102.6
Allowances for doubtful receivables	-10.3	-0.9
Book value	**85.8**	**101.7**
Prepaid volume bonuses to US dealers	23.3	21.4
Allowances for doubtful receivables	-13.0	-0.4
Book value	**10.3**	**21.0**
Non-current receivables from finance leases	7.4	15.7
Allowances for doubtful receivables	–	-0.3
Book value	**7.4**	**15.4**

For sales support reasons, the Group grants selected dealers payment terms of over a year. The associated non-current receivables are reported in the "Non-current financial assets" balance sheet line as long as the amount is not due within the next year. If the due date falls within the next year, the current portion is moved to the "Trade receivables" balance sheet line. For fiscal 2019, a correction was made in this regard. Non-current receivables (due date of over one year) in the amount of EUR 49.8 million were incorrectly reported in the "Trade receivables" balance sheet line and therefore classified as current (refer to "Changes to accounting and valuation methods").

Given the impact of the COVID-19 pandemic on the business performance of some Wacker Neuson Group customers, value adjustments were made in connection with allowances for doubtful receivables in fiscal 2020. This also includes loss allowances for pre-paid volume bonuses to US dealers. The majority of these allowances were attributed to the Americas region.

Non-current receivables from finance leases result mainly from additional finance lease transactions with a wholesaler in Australia and the expansion of sale-and-leaseback agreements as a sales support measure within Europe in fiscal 2019 and fiscal 2018. No significant transactions for finance leases have been concluded in the interim. This has correspondingly led to a decrease in non-current receivables from finance leases.

If the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates whether and – if so – to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all of the risks and rewards associated with the asset, nor transferred control over the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are evaluated in due consideration of the rights and obligations that the Group has retained. The Group regularly sells receivables individually or (since 2020) in bundles and has determined that opportunities and risks are neither transferred nor retained for these transactions. The non-current portion of the Group's continuing involvement in the amount of EUR 1.5 million (2019: EUR 2.9 million) is reported under other non-current assets. Refer to item 29, "Additional information on financial instruments", for further information on these financial transactions.

12 – Rental

IN € MILLION

	2020	2019
Acquisition costs		
Balance at January 1	244.5	218.5
Exchange rate differences	-1.0	2.7
Change in consolidation structure	-1.3	–
Additions	80.0	89.7
Disposals	-87.0	-66.4
Transfers	–	–
Balance at December 31	**235.2**	**244.5**
Accumulated depreciation		
Balance at January 1	78.4	69.1
Exchange rate differences	-0.3	1.0
Change in consolidation structure	-0.6	–
Additions	40.8	41.0
Disposals	-42.6	-32.7
Transfers	–	–
Balance at December 31	**75.7**	**78.4**
Book value at January 1	**166.1**	**149.4**
Book value at December 31	**159.5**	**166.1**
Useful life in years	2 – 3	2 – 3

Rental covers equipment kept for use by customers. At the request of the customer, this equipment may also be sold.

The change in the consolidation structure in the amount of EUR 0.6 million is attributable to the sale of Wacker Neuson ApS.

13 – Inventories

IN € MILLION

	Gross value	Allowance	Net value Dec. 31, 2020
Raw materials and supplies	93.8	-3.2	90.6
Work in progress	25.8	–	25.8
Finished goods	305.0	-9.2	295.8
Total	**424.6**	**-12.4**	**412.2**

	Gross value	Allowance	Net value Dec. 31, 2019
Raw materials and supplies	129.9	-1.2	128.7
Work in progress	25.2	–	25.2
Finished goods	459.5	-10.9	448.6
Total	**614.6**	**-12.1**	**602.5**

The reduction in inventory was attributable to rapid adjustments made to production programs as a result of the coronavirus pandemic. (Refer to the Combined Management Report for further information, → page 33.)

An expense of EUR 948.3 million (2019: EUR 1,159.4 million) was recorded under costs for inventories sold in the fiscal year.

Raw materials and supplies, work in process and finished products were valued at cost or at the lower net realizable value. The associated allowances for doubtful accounts increased by EUR 0.3 million compared to the previous year (2019: increase of EUR 0.3 million). In fiscal 2020, an impairment loss on spare parts in the amount of EUR 3.9 million was reversed through profit and loss. The introduction of a new IT solution in the Group's spare parts department enabled spare parts to be classified into more detailed categories (ABC parts) for the first time. This improvement in data quality led to recognition of a change in an accounting estimate for spare parts within the scope of IAS 8. This write-up is recognized as income under "Cost of sales". EUR 3.3 million is allocated to the Europe segment and EUR 0.6 million to the Americas segment. There were no write-ups in the previous year.

Similar to the previous year, no inventories were pledged as collateral for liabilities during the period under review.

14 – Trade receivables

Trade receivables have the following components:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019 adjusted
Trade receivables at nominal value	240.8	323.3
Less allowance	-18.4	-14.0
Total	**222.4**	**309.3**

The decrease in trade receivables was primarily attributable to the decline in business volume.

As of December 31, 2020, trade receivables and allowances for doubtful accounts were broken down as follows:

IN € MILLION

	Nominal value	Allowance
	Dec. 31, 2020	Dec. 31, 2020
Not overdue	172.0	1.2
Overdue <30 days	20.7	0.2
Overdue 30–90 days	9.7	1.6
Overdue >90 days	38.4	15.4
Total	**240.8**	**18.4**

IN € MILLION

	Nominal Value	Allowance
	Dec. 31, 2019 adjusted	Dec. 31, 2019
Not overdue	225.2	–
Overdue <30 days	39.3	0.2
Overdue 30 – 90 days	29.4	0.8
Overdue >90 days	29.3	12.9
Total	**323.2**	**13.9**

Allowance for doubtful accounts developed as follows:

IN € MILLION

	2020	2019
Balance at January 1	14.0	11.0
Exchange rate differences	-1.0	0.1
Additions	6.5	4.1
Amount used for write-offs	-0.4	-0.9
Reversals	-0.7	-0.3
Balance at December 31, 2020	**18.4**	**14.0**

Current trade receivables are non-interest bearing and are mainly on terms of up to 30 days. The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The Group regards the concentration of risk with regard to trade receivables as low in view of the fact that it has a broad customer base distributed across different countries and industries in markets that are largely unconnected. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

EXPECTED CREDIT LOSS RATE

	Dec. 31, 2020	Dec. 31, 2019
Not overdue	1%	0%
Overdue <30 days	1%	1%
Overdue 30 – 90 days	17%	3%
Overdue >90 days	40%	45%

The main reason for significantly higher allowances for the 90 days past due category is the individual review of dealers in China who had already experienced financial difficulties in the previous year. The > 90 days category and the 30 – 90 days category also include significant allowances in South America. In line with this, the allowances for doubtful accounts shown above are not representative of the total portfolio.

The fair value is a reasonable approximation of the book value since all receivables are due within less than one year.

15 – Other current assets

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Prepaid volume bonuses to US dealers	0.7	5.7
Receivables from finance leases	10.2	4.8
Government grants	1.5	1.7
Receivables from litigation	–	1.4
Creditors with debit balances	0.8	1.2
Deposits	15.2	0.9
Loans	2.4	0.8
Continuing involvement	4.4	0.5
Dilution discount	3.4	–
Positive fair value from derivatives	2.1	0.3
Compensation from cooperation agreement	2.3	–
Misc. other current financial assets	2.5	6.3
Other current financial assets	**45.5**	**23.6**
Sales tax	8.5	10.6
Advance payments	6.2	7.6
Advances to employees	0.2	–
Misc. other current non-financial assets	1.6	1.5
Other current non-financial assets	**16.5**	**19.7**
Total	**62.0**	**43.3**

The fair value of other current financial assets is a reasonable approximation of the book value since all items are due within less than one year.

Other current assets include the current portion of finance lease receivables in the amount of EUR 10.2 million (2019: EUR 4.8 million). This, in turn, includes lease receivables from a sales support measure amounting to EUR 1.2 million (2019: EUR 1.9 million).

The increase in deposits is attributable to an investment of EUR 15 million as a term account with a term of 6 months.

The non-current portion of finance lease receivables is reported under the item “Other non-current financial assets” and amounted to EUR 7.4 million (2019: EUR 15.4 million).

The Group is a contractual partner in a factoring transaction, under which the bank is obliged to purchase trade receivables from fees already due from equipment sales payable over a period of several years. The Group regularly sells receivables individually or (since 2020) in bundles and has determined that risks and rewards are neither transferred nor retained for these transactions. The current portion of the Group’s continuing involvement in the amount of EUR 4.4 million (2019: EUR 0.5 million) is reported under other current assets. Refer to item 29, “Additional information on financial instruments”, for further information on this financial transaction.

The future minimum lease payments break down as follows:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Within one year	10.3	4.8
In between one and two years	5.8	6.5
In between two and three years	1.7	8.3
In between three and four years	1.5	1.4
In between four and five years	0.6	0.8
After more than five years	0.2	0.2
Total	**20.1**	**22.0**

The following table shows the reconciliation of future minimum lease payments to gross and net investment in leases and to the present value of future minimum lease payments:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Future minimum lease payments	20.1	22.0
Plus: Not guaranteed residual value	0.0	0.0
Gross investment in leases	20.1	22.0
Less: Unrealized financial income	-2.5	-1.4
Net investment in leases	17.6	20.6
Less: Allowances for doubtful accounts	0.0	-0.4
Less: Present value of not guaranteed residual value	0.0	0.0
Present value of future minimum lease payments	**17.6**	**20.2**

The present value of future minimum lease payments was due as follows:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Within one year	10.2	4.8
Between one and five years	7.2	15.2
After more than five years	0.2	0.2
Total	**17.6**	**20.2**

Investments in finance leases resulted primarily from the leasing business with construction equipment.

In 2020, the Group reported no profit on disposal of finance leases (2019: EUR 0.6 million).

In 2020, the Group reported interest income on finance lease receivables in the amount of EUR 0.3 million (2019: EUR 0.3 million).

The Group received no income as lessor from variable lease payments.

Refer to item 25, “Derivative financial instruments”, in these Notes for further information about the positive fair value of foreign exchange forward contracts.

The advance payments mainly relate to other services to be deferred in the ordinary course of business.

Refer to item 11, “Other non-current assets”, for allowances relating to the current portion of prepaid volume bonuses to US dealers and finance lease receivables. None of these current assets were overdue.

16 – Cash and cash equivalents

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Petty cash	166.4	44.0
Bank balances	116.6	2.1
Cash deposits	0.1	0.2
Total	**283.1**	**46.3**

Daily cash balances held with banks bear interest at floating rates. Depending on the company’s liquidity requirements, surplus cash and cash equivalents are set up as short-term term accounts running from one day to three months. The term accounts yield interest at the agreed interest rates.

Petty cash in the amount of EUR 217.5 million (including cash pool current account balances) (2019: EUR 161.4 million) was netted against cash pool current account liabilities amounting to EUR 51.1 million (2019: EUR 117.4 million), as a netting (offset) option was agreed with the cash pool bank. Current account balances after netting at December 31, 2020 amounted to EUR 166.4 million (2019: EUR 44.0 million).

17 – Non-current assets held for sale

A tract of developed land and the associated building in Durban, South Africa, with a book value of EUR 0.8 million was reclassified as a “non-current asset held for sale” in the previous year. The sale took place during the first quarter of 2020. This represented a gain of EUR 0.0 million on the book value.

A tract of developed land and the associated building in Guaratuba, Brazil, with a book value of EUR 0.1 million was classified as a “non-current asset held for sale” in the previous year. The sale is expected to take place during the first half of 2021.

In the third quarter of 2020, real estate in Norway with a book value of EUR 2.5 million was reclassified as a “non-current asset held for sale”. With the sale of this real estate in the fourth quarter of 2020, the Group was able to achieve a gain of EUR 1.5 million on the book value.

As part of the streamlining of sales structures in South America, real estate in Huechuraba, Chile, with a book value of EUR 0.7 million and real estate in Itatiba, Brazil, with a book value of EUR 0.2 million were reclassified as “non-current assets held for sale” in the current fiscal year. In addition, as part of reorganization measures, real estate in Malmö, Sweden, with a book value of EUR 2.2 million was reclassified as a “non-current asset held for sale”. The sale of both real-estate holdings is expected to take place during the first half of 2021.

In addition, a tract of developed land and the associated building in Johannesburg, South Africa, with a book value of EUR 1.0 million was classified as a “non-current asset held for sale”. The sale is expected to take place in the first quarter of 2021.

18 – Equity

As in the previous year, subscribed capital amounted to EUR 70.1 million and is divided into 70,140,000 individual no-par-value registered shares, each representing a proportionate amount of the share capital of EUR 1.00. The share capital was fully paid-in at the closing date of the Consolidated Financial Statements.

Other reserves are as follows:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Capital reserves	618.7	618.7
Exchange rate differences	-18.9	-5.8
Other changes without effect	-37.6	-29.7
Total	**562.2**	**583.2**

The capital reserves primarily result from share premiums in connection with the IPO and the merger with Wacker Neuson Beteiligungs GmbH (formerly Neuson Kramer Baumaschinen AG).

The reserve for exchange differences includes gains and losses from translating the annual financial statements of consolidated affiliates that are prepared in foreign currencies according to the concept of the functional currency to be recognized in equity with no impact on the financial result. As in the previous year, a foreign currency loan in US dollars to a foreign business operation, classified as part of a net investment, exists in fiscal 2020. The nominal value amounts to USD 60.0 million and was issued by the German parent company of the Group to the American sales affiliate Wacker Neuson Corporation. The associated currency translation differences are recognized in the reserve for exchange rate differences. The large change relative to the previous year is mainly due to the movement of the USD rate. → Page 91

Other changes without effect include reserves for the recognition of gains and losses from reevaluations of pensions and similar obligations, primarily actuarial gains and losses as well as results recognized in equity in connection with reporting of hedge accounting.

The company did not hold any treasury shares at December 31, 2020, nor at any point during the 2020 fiscal year or the previous year.

At the company’s virtual AGM on June 30, 2020, shareholders approved the Executive Board and Supervisory Board’s proposal to suspend the dividend payout for the 2019 fiscal year and to carry the net profit forward. In 2019, the Group paid out EUR 77.2 million in dividends (EUR 1.10 per share). In fiscal 2021, the dividend payout proposal for fiscal 2020 amounts to EUR 42,1 million (EUR 0.60 per share). Proposed dividend payouts for no-par-value shares that require AGM approval were not recognized as a liability at December 31. Refer to the statement of changes in equity for further details on equity.

Authorized Capital 2020
At the AGM on May 30, 2017, the Executive Board was authorized to increase the company's share capital by May 29, 2022, subject to the approval of the Supervisory Board, by issuing up to 17,535,000 new, registered shares against cash contributions and/or contributions in kind, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000.00 (Authorized Capital 2017).

Treasury shares
In a further resolution passed at the AGM on May 30, 2017, the Executive Board is authorized, subject to the prior approval of the Supervisory Board, to acquire 7,014,000 treasury shares via the stock exchange by May 29, 2027. This acquisition may also be performed by one of the Group members, or on or for its or their account by third parties. In so doing, the shares acquired as a result of this authorization together with other shares in the company that it has already acquired and still holds may not at any time correspond to more than 10 percent of the existing share capital. Shares may not be purchased for the purpose of trading company shares on the stock exchange.

Rights, preferential rights and restrictions on shares
There are pool agreements between some shareholders and companies of the Wacker family on the one hand, and companies and shareholders of the Neunteufel family on the other, which essentially regulate the exercise of voting and petition rights at the AGM and restrict the transfer of shares. A pool agreement also exists between a shareholder of the Neunteufel family and Mr. Martin Lehner that permits the Neunteufel family shareholder to exercise the voting rights attributable to Mr. Martin Lehner's shares. Refer to the "Restrictions affecting voting rights or the transfer of shares" section in the Management Report for further information.

19 – Provisions for pensions and similar obligations

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Provisions for pension obligations	64.7	61.8
Provisions for other obligations to employees	0.1	–
Total	**64.8**	**61.8**

Within the Group, there are various types of employee retirement benefit schemes worldwide for old age and surviving dependents' pensions. Most of the schemes provide for the payment of fixed lump-sum amounts. The others are defined retirement plans with a pension paid from retirement until death. The amounts to be paid are based on the ranking of the employee concerned (with respect to both salary and hierarchy) as well as their years of service to the company.

At the parent company, pension commitments due to enter into effect as of retirement age are primarily in place for Executive Board members, as well as for former executives and Executive Board members.

The foreign affiliate in Switzerland has statutory pension plans in place in accordance with the Federal Law on Occupational Old Age, Survivors' and Invalidity Pensions (BVG), which are accounted for as defined benefit plans according to IAS 19. These defined benefit plans are financed by liability insurance. In this case, the individual company makes contributions to the relevant pension insurance schemes due to legal requirements. Although future pension benefits are generally dependent on the contributions saved, including interest, the guarantees contained in the pension law leave a residual risk for the individual company.

For the remaining domestic and foreign companies, the schemes partly provide for a lump-sum payment which is based on the salary at retirement age multiplied by a factor based on years of service with the company, and partly for pension payments from retirement until death based on the employee's earnings to those who fulfill the time-of-service requirements, which differ from country to country.

The defined benefit plans are partly financed by liability insurance. There are also pension commitments that are not financed by liability insurance or funds, where the Group pledges to make future payments when the pension payouts are due. This primarily refers to pension commitments governed by the legal framework of individual countries (adjustments to pensions, for example).

Domestic and foreign affiliates also have defined contribution plans. In such cases, the respective 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, with the exception of the Swiss pension plans (see separate statement):

		2020	2019
Actuarial assumptions[1]			
Discount rate	as a %	0.71	1.18
Salary trends	as a %	0.56	0.58
Pension trends	as a %	1.71	1.75
Retirement age	in years	62	62

Weighted average of the individual benefit schemes

The actuarial valuation for the Swiss pension plans is essentially based on the following assumptions:

		2020	2019
Actuarial assumptions			
Discount rate	as a %	0.20	0.25
Salary trends	as a %	0.80	0.75
Retirement age	in years	65	64

Pension obligations are distributed as follows:

IN € MILLION	Dec. 31, 2020	Dec. 31, 2019
Fair value of pension obligations, funded	64.9	61.0
Fair value of plan assets	-31.5	-30.2
Shortfall in pension obligations, funded	**33.4**	**30.8**
Fair value of pension obligations, not funded	31.4	31.0
Shortfall in all pension obligations	**64.8**	**61.8**
Pension obligations	**64.8**	**61.8**

The changes in the present value of pension obligations and in plan assets are as follows:

IN € MILLION	2020	2019
Changes in the present value of pension obligations		
Balance at January 1	92.0	77.1
Current service costs	2.0	1.7
Interest expense	0.8	1.3
Contributions by plan participants	1.9	2.6
New valuations:		
Actuarial gains/losses		
- from changes to demographic assumptions	-0.1	-0.1
- from changes to financial assumptions	5.0	10.7
Experience adjustments	0.2	-0.1
Changes in exchange rate	–	1.0
Paid benefits	-5.3	-2.2
Past service cost	-0.2	–
Balance at December 31	**96.3**	**92.0**

IN € MILLION	2020	2019
Changes in fair value of plan assets		
Balance at January 1	30.2	24.8
Interest income	0.2	0.4
Changes in exchange rate	0.1	0.6
New valuations:		
From changes to financial assumptions		
Experience adjustments	0.3	-0.1
Employer’s contributions	2.4	2.3
Contributions by plan participants	2.0	2.6
Payouts	-3.7	-0.4
Balance at December 31	**31.5**	**30.2**

Plan assets include pension liability insurance with German life insurance schemes where future payments are pledged in favor of the entitled recipient. Pension liability insurance schemes are not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 16.7 million (2019: EUR 15.2 million). Pension liability insurance is also held with Swiss life insurance schemes where future payments are pledged in favor of the entitled recipient. The Swiss pension liability insurance scheme is not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 14.8 million (2019: EUR 15.0 million).

The average duration of the defined benefit plan obligation at the end of the reporting period is 14.9 years (2019: 16.6 years).

The investment strategy for plan assets, primarily German and Swiss pension liability insurance, is designed to achieve a sufficient return on investment in connection with contributions, with a view to managing the financing risk from pension obligations appropriately. The actual contributions may differ from the investment strategy as a result of changing economic conditions.

Pension expenses are as follows:

IN € MILLION	2020	2019
Current service costs	2.0	1.7
Interest expense for pension obligations	0.8	1.3
Net interest	-0.1	-0.4
Past service cost	-0.2	–
Total pension expense from defined benefit schemes	**2.5**	**2.6**
Total pension expense from defined contribution schemes	**0.2**	**0.2**
Total contributions to statutory pension insurance schemes	**34.5**	**26.0**
Total pension expense	**37.2**	**28.8**

Interest expense ensuing from pension obligations is recognized in the financial result. The remaining pension expense is part of personnel costs shown in the appropriate functional line of the income statement.

The valuation date for the current value of fund assets and the present value of obligations is December 31 for each year. The base value for the calculation of unaccrued interest concerning pension obligations is the present value of obligations as of January 1. The base value for the anticipated return on fund assets is the current value as at January 1. Transfers during the year are accounted for on a pro rata basis.

The contributions expected to be made to German fund assets in 2021 amount to EUR 1.6 million (for 2020: EUR 1.6 million).

The following overview shows the projected pension pay-outs for the next five years:

IN € MILLION	
Due in 2021	2.4
Due in 2022	2.3
Due in 2023	2.7
Due in 2024	2.3
Due in 2025	2.6

The following overview shows the sensitivity of key actuarial assumptions:

IN € MILLION

	as a %	Sensitivity	Increase in valuation parameters	Decrease in valuation parameters
Discount rate	0.74	+/- 1.00 %	-21.5	25.1
Salary trends	0.56	+/- 0.50 %	12.1	-11.8
Pension trends	1.71	+/- 0.50 %	14.5	-12.6

The sensitivity analysis shows how the value of pension obligations would develop if individual actuarial assumptions changed. The sensitivity is determined solely on the basis of the projected unit credit method. This involves determining and displaying the impact of a change to individual actuarial assumptions, while all other assumptions remain unchanged.

The following risks arise for the Group from pension commitments:

- A reduction in the discount rate results in a rise in pension obligations.
- An increase in life expectancy results in a rise in pension obligations.

The following table shows the effects of a one percentage point increase or reduction in assumed healthcare costs:

IN € MILLION

	Additions	Reversals
2020		
Effect on the present value of pension obligations	0.1	-0.1
2019		
Effect on the present value of pension obligations	0.1	-0.1

The present value of obligations as well as pension pay-outs and reevaluations are distributed as follows across pension obligations and healthcare contributions:

IN € MILLION

	2020	2019
Provisions for pensions recorded in the balance sheet		
Pension obligations	63.7	60.8
Healthcare	1.1	1.0
Total	**64.8**	**61.8**
Pension expenses listed under EBIT		
Pension obligations	2.0	1.7
Healthcare	–	–
Total	**2.0**	**1.7**
New valuations		
Pension obligations	5.0	10.6
Healthcare	0.1	–
Total	**5.1**	**10.6**

20 – Other provisions

IN € MILLION

	Balance at Jan. 1, 2020	Currency	Utilization	Additions	Reversals	Balance at Dec. 31, 2020
Provisions						
Warranties	14.3	-0.5	-11.2	13.8	-0.9	15.5
Obligations towards employees	8.7	–	-4.3	6.2	–	10.6
Professional fees	0.3	–	-0.3	0.4	–	0.4
Litigation costs	0.2	–	-0.1	0.8	-0.1	0.8
Other provisions	2.0	–	-0.7	0.2	–	1.5
Total	**25.5**	**-0.5**	**-16.6**	**21.4**	**-1.0**	**28.8**

	Balance at Jan. 1, 2019	Currency	Utilization	Additions	Reversals	Balance at Dec. 31, 2019
Provisions						
Warranties	11.9	0.1	-4.0	7.3	-1.0	14.3
Obligations towards employees	6.9	–	-3.6	6.4	-1.0	8.7
Professional fees	0.1	–	–	0.2	–	0.3
Litigation costs	0.4	–	-0.1	–	-0.1	0.2
Other provisions	2.3	–	-1.0	0.7	–	2.0
Total	**21.6**	**0.1**	**-8.7**	**14.6**	**-2.1**	**25.5**

An interest effect of less than EUR 0.1 million was recognized in the provisions for 2020 (2019: under EUR 0.1 million).

The due dates of the above provisions are distributed as follows:

IN € MILLION

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at Dec. 31, 2020
Provisions			
Warranties	13.0	2.5	15.5
Obligations towards employees	4.2	6.4	10.6
Professional fees	0.4	–	0.4
Litigation costs	0.7	0.1	0.8
Other provisions	0.7	0.8	1.5
Total	**19.0**	**9.8**	**28.8**

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at Dec. 31, 2019
Provisions			
Warranties	12.1	2.2	14.3
Obligations towards employees	4.3	4.4	8.7
Professional fees	0.3	–	0.3
Litigation costs	0.2	–	0.2
Other provisions	0.7	1.3	2.0
Total	**17.6**	**7.9**	**25.5**

Company obligations from employee work accounts are offset against securities classified as assets, which are created in order to secure these claims. Obligations from employee work accounts came to EUR 8.5 million (2019: EUR 7.5 million). The cost of acquiring the securities amounts to EUR 6.7 million (2019: EUR 6.7 million) and the fair value at December 31, 2020 was EUR 8.5 million (2019: EUR 7.5 million), of which EUR 8.5 million is offset (2019: EUR 7.5 million).

The increase in obligations towards employees resulted primarily from restructuring measures in the amount of EUR 2.6 million (2019: EUR 0.0 million) relating to the logistics center in Karlsfeld (Germany), as well as from restructuring measures in South America in the amount of EUR 0.9 million (2019: EUR 0.0 million).

21 – Long- and short-term financial liabilities

Financial liabilities comprise the following amounts, recognized under the balance sheet items “Long-term financial borrowings”: EUR 411.6 million (2019: EUR 372.4 million), “Short-term liabilities to financial institutions”: EUR 9.2 million (2019: EUR 112.4 million) and “Current portion of long-term borrowings”: EUR 0.2 million (2019: EUR 0.5 million).

Long-term financial borrowings include non-current liabilities from sale-and-leaseback transactions in the amount of EUR 2.8 million (2019: EUR 3.9 million). The current portion of long-term borrowings includes current liabilities from sale-and-leaseback transactions in the amount of EUR 0.2 million (2019: EUR 0.5 million). In 2020, the Group reported no losses from sale-and-leaseback transactions (2019: loss of less than EUR 0.1 million).

The book values of financial liabilities developed as follows:

IN € MILLION

	Dec. 31, 2020	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	2.3	1.8	0.5	–
Promissory note (Schuldschein)	407.9	1.7	326.3	79.9
Investment “SpeedIn-vest”	1.5	1.2	0.3	–
Liabilities from sale-and-leaseback	3.0	0.2	2.8	–
Continuing involve-ment	6.3	4.5	1.8	–
Total	**421.0**	**9.4**	**331.7**	**79.9**

	Dec. 31, 2019	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	110.2	109.2	1.0	–
Promissory note (Schuldschein)	365.2	1.5	263.8	99.9
Investment “SpeedIn-vest”	2.1	1.2	0.9	–
Liabilities from sale-and-leaseback	4.4	0.5	3.7	0.2
Continuing involve-ment	3.4	0.5	2.9	–
Total	**485.3**	**112.9**	**272.3**	**100.1**

The following table shows the remaining contractual periods of the financial liabilities at December 31, 2020, together with the estimated interest payments. These are undiscounted gross amounts which include the estimated interest payments.

IN € MILLION

	Dec. 31, 2020	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	2.3	1.8	0.5	–
Promissory note (Schuldschein)	426.1	6.0	339.3	80.8
Outstanding payment investment “SpeedIn-vest”	1.5	1.2	0.3	–
Liabilities from sale-and-leaseback	3.1	0.2	2.8	0.1
Continuing involve-ment	6.3	4.5	1.8	–
Total	**439.3**	**13.7**	**344.7**	**80.9**

	Dec. 31, 2019	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	110.3	109.3	1.0	–
Promissory note (Schuldschein)	388.3	5.7	280.7	101.9
Outstanding payment investment “SpeedIn-vest”	2.1	1.2	0.9	–
Liabilities from sale-and-leaseback	4.8	0.6	4.0	0.2
Continuing involve-ment	3.4	0.5	2.9	–
Total	**508.9**	**117.3**	**289.5**	**102.1**

Borrowings from banks

Borrowings from banks include the following items:

BORROWINGS FROM BANKS

	Dec. 31, 2020 IN € MILLION	Interest rate as a percent-age	Interest rate type	Due dates
Money market loans in USD	0.8		variable	< 1 year
Money market loans in EUR	0.4		variable	< 1 year
Loans in Brazilian reals	0.6	12.0-13.0	variable	< 1 year
Loans in Brazilian reals	0.5	12.0-13.0	variable	>1 year
Total	**2.3**			

	Dec. 31, 2019 IN € MILLION	Interest rate as a percent-age	Interest rate type	Due dates
Money market loans in EUR	55.0	–	fixed	< 1 year
Money market loans in USD	34.9	2.3 - 2.9	fixed	< 1 year
Money market loans in EUR	18.3	0.6	variable	< 1 year
Loans in South African rand	0.2	8.8	variable	< 1 year
Loans in Brazilian reals	1.0	13.8	variable	< 1 year
Loans in Brazilian reals	0.9	13.8	variable	>1 year
Total	**110.3**			

Refer to item 33, “Risk management”, in these Notes for information on the sensitivity of interest risks associated with variable-interest borrowings.

The following table lists the assured credit lines that were not utilized by Wacker Neuson SE:

IN € MILLION	2020
First credit line EUR	25.0
Second credit line EUR	20.0
Third credit line EUR	50.0
Fourth credit line EUR	20.0
Fifth credit line EUR	25.0
Sixth credit line EUR	25.0
Seventh credit line EUR	25.0
Eighth credit line EUR	65.0
Ninth credit line EUR	50.0
Tenth credit line EUR	15.0
Eleventh credit line EUR	0.7
Twelfth credit line EUR	5.0
Thirteenth credit line EUR	0.9
Fourteenth credit line EUR	1.0
Fifteenth credit line EUR	0.3
Sixteenth credit line ZAR	< 0.1
Seventeenth credit line ZAR	0.5
Eighteenth credit line TRY	< 0.1
Total	**328.4**

	2019
First credit line EUR/USD	6.8
Second credit line EUR/USD	58.0
Third credit line USD	13.4
Fourth credit line EUR	40.0
Fifth credit line EUR	25.0
Sixth credit line EUR	35.0
Seventh credit line EUR	40.0
Eighth credit line EUR	20.0
Ninth credit line EUR	10.0
Tenth credit line EUR	15.0
Eleventh credit line EUR	12.9
Twelfth credit line BRL	1.4
Thirteenth credit line TRY	0.1
Fourteenth credit line EUR	20.0
Fifteenth credit line EUR	0.3
Sixteenth credit line EUR	15.0
Seventeenth credit line EUR	20.0
Eighteenth credit line EUR	1.1
Nineteenth credit line ZAR	0.5
Twentieth credit line EUR	0.3
Total	**334.8**

The fair value for the promissory notes (Schuldschein) in euros and US dollars amounted to EUR 419.0 million at December 31, 2020 (2019: EUR 371.5 million) (measurement of fair value at hierarchy level 3). All other fair values of financial liabilities largely correspond to the book values.

Promissory note (Schuldschein)

In light of the present economic uncertainty related to the COVID-19 pandemic, Wacker Neuson SE further increased its liquidity reserves as a precautionary measure on August 13, 2020. To do this, the company successfully placed a promissory note (Schuldschein) in the amount of EUR 50 million with institutional investors.

On May 6, 2019, Wacker Neuson SE placed a promissory note (Schuldschein) in the amount of EUR 150 million. The promissory note (Schuldschein) was issued in two tranches of five and seven years, each with fixed interest rates and at attractive conditions. This has secured the long-term financing basis needed for the Group's growth plans set out in its Strategy 2022 initiative.

One tranche of a promissory note (Schuldschein) was also issued in fiscal 2017:

	Dec. 31, 2020 Repayment amount	Dec. 31, 2020 Transaction fees	Dec. 31, 2020 Total nominal value	Dec. 31, 2020 Interest rate as a %	Due date
Promissory note (Schuldschein) in € – Tranche I	125.0	0.1	124.9	0.69	February 2022
Promissory note (Schuldschein) in € – Tranche II	50.0	0.1	49.9	1.20	August 2023
Promissory note (Schuldschein) in € – Tranche III	70.0	0.1	69.9	0.65	May 2024
Promissory note (Schuldschein) in € – Tranche IV	80.0	0.1	79.9	0.99	May 2026
Total, € MILLION	**325.0**	**0.4**	**324.6**		
Promissory note (Schuldschein) in USD – Tranche I	77.5	0.1	77.4	3.97	March 2023
Promissory note (Schuldschein) in USD – Tranche II	22.5	–	22.5	4.24	March 2025
Total, USD MILLION	**100.0**	**0.1**	**99.9**		

Liquid funds payable from the promissory note (Schuldschein) in euros refer to annual interest through 2022 on the first tranche in the amount of EUR 0.9 million and a repayment of EUR 125.0 million to be made on February 28, 2022. For the second tranche, annual interest payments in the amount of EUR 0.6 million are to be made through 2023 and a repayment in the amount of EUR 50.0 million is due on August 24, 2023. For the third tranche, annual interest payments in the amount of EUR 0.5 million are to be made through 2024 and a repayment in the amount of EUR 70.0 million is due on May 8, 2024. For the fourth tranche, annual interest payments in the amount of EUR 0.8 million are to be made through 2026 and a repayment in the amount of EUR 80.0 million is due on May 8, 2026.

Liquid funds payable from the promissory note (Schuldschein) in US dollars refer to annual interest through 2023 on the first tranche in the amount of USD 3.1 million and a repayment of USD 77.5 million to be made on March 2, 2023. For the second tranche, annual interest payments in the amount of USD 1.0 million are to be made through 2025 and a repayment in the amount of USD 22.5 million is due on March 3, 2025.

The first tranche of the promissory note (Schuldschein) in US dollars comprises a nominal value of USD 25.0 million, bearing variable interest under the 3-month US dollar LIBOR rate plus a bank margin of 1.25 percent.

The second tranche of the promissory note (Schuldschein) in US dollars comprises a nominal value of USD 15.0 million, bearing variable interest under the 3-month US dollar LIBOR rate plus a bank margin of 1.45 percent.

Floating rates for both tranches of the promissory note (Schuldschein) in US dollars are hedged with the interest rate swap.

Financial covenants

There are no covenants or collateral for existing financial instruments.

22 – Trade payables

As of December 31, 2020, trade payables (at book value) were broken down as follows:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Trade payables	**137.1**	**149.9**
Book value due < 30 days	104.6	121.9
Book value due 30 – 90 days	31.2	27.6
Book value due > 90 days	1.3	0.4

Interest does not accrue on trade payables. The decrease in trade payables is primarily attributable to a drop in production output in the second half of the year. In the prior year, this figure was also boosted by an increase in stock of pre-buy engines. The recognized carrying amount of trade payables corresponds to fair values due to the short term to maturity.

23 – Other current liabilities

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Other accruals/deferrals	22.0	25.7
Debtors with credit balances	6.2	5.4
Misc. other current financial liabilities	3.3	3.4
Derivatives	7.0	7.2
Other current financial liabilities	**38.5**	**41.7**
Other tax accruals/deferrals and tax liabilities	6.6	5.5
Personnel accruals/deferrals and	28.6	31.2
Sales tax liabilities	13.7	13.4
Other current non-financial liabilities	**48.9**	**50.1**
Total	**87.4**	**91.8**

The other accruals/deferrals mainly consist of outstanding invoices. The fair values of current financial liabilities are reasonable approximations of the book values.

24 – Contract liabilities

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Extended warranties	4.7	4.2
Down-payments received	2.5	2.4
Prepaid services	2.9	2.8
Total	**10.1**	**9.4**

IN € MILLION

	Short-term (< 1 year)	Long-term (> 1 year)	Total on Dec. 31, 2020
Contract liabilities			
Extended warranties	1.6	3.1	4.7
Down-payments received	2.5	-	2.5
Prepaid services	1.0	1.9	2.9
Total	**5.1**	**5.0**	**10.1**

	Short-term (< 1 year)	Long-term (> 1 year)	Total on Dec. 31, 2019
Contract liabilities			
Extended warranties	1.7	2.5	4.2
Down-payments received	2.4	-	2.4
Prepaid services	1.4	1.4	2.8
Total	**5.5**	**3.9**	**9.4**

Of the contract liabilities reported in the balance sheet in the previous year, EUR 5.5 million (2019: EUR 4.8 million) have been recognized as revenue in the current fiscal year.

25 – Derivative financial instruments

The Group uses FX forwards / forward currency contracts (currency derivatives) and interest rate swaps. Refer to item 29, "Additional information on financial instruments" on → page 132 ff. for the accounting treatment. The nominal amounts and fair values of derivative financial instruments (interest rate swaps and currency derivatives) are recognized as follows:

IN € MILLION

	Dec. 31, 2020 Nominal value	Dec. 31, 2020 Market value	Dec. 31, 2019 Nominal value	Dec. 31, 2019 Market value
Assets				
Currency hedges	91.5	2.1	26.6	0.3
Total	**91.5**	**2.1**	**26.6**	**0.3**
Liabilities				
Currency hedges	68.2	4.5	213.7	5.7
Interest rate swap	32.6	2.5	35.6	1.5
Total	**100.8**	**7.0**	**249.3**	**7.2**

Refer to item 29, "Additional information on financial instruments", in these Notes for information regarding net profits and losses from these financial instruments.

IN € MILLION

	Up to 1 year Nominal value	1 to 5 years Nominal value	Over 5 years Nominal value
Assets			
Currency hedges	91.5	–	–
Total	**91.5**	**–**	**–**
Liabilities			
Currency hedges	41.1	27.1	–
Interest rate swap	–	32.6	–
Total	**41.1**	**59.7**	**–**

26 – Lease liabilities

The Group rents various buildings for branch offices and warehouses as well as office buildings, facilities and vehicles. Rental contracts are generally concluded for fixed terms of three to ten years. Some contracts, however, may contain extension options. These are outlined in the "Material discretionary decisions, estimates and assumptions" section below. Rent conditions are negotiated on a case-by-case basis and include a wide range of different terms. Leases do not contain any credit conditions. However, leased assets may not be used as security for taking out loans.

The Group has also entered into lease agreements for leased assets with a term of twelve months or less, and for low-value office equipment. The Group applies to these leases the practical expedients applicable to short-term leases and to leases involving low-value assets.

A detailed explanation of right-of-use lease assets for fiscal 2020 is provided separately under item 8, “Property, plant and equipment”, in these Notes. We refer to this section to avoid duplicating information.

The following table shows the book values of lease liabilities and the changes during the reporting period:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
As at Jan. 1	**92.1**	**78.0**
Exchange rate differences	-0.3	0.5
Additions	22.2	40.6
Disposals	-7.8	-2.6
Interest expense	2.6	2.9
Payments	-26.0	-27.3
As at Dec. 31	**82.8**	**92.1**
Of which short-term	25.7	25.2
Of which long-term	57.1	66.9

The book values of lease liabilities by term were as follows:

IN € MILLION

	Dec. 31, 2020	Up to 1 year	1 to 5 years	Over 5 years
Lease liabilities (incl. sale-and-leaseback before 2019)	82.8	25.7	41.8	15.3

IN € MILLION

	Dec. 31, 2019	Up to 1 year	1 to 5 years	Over 5 years
Lease liabilities (incl. sale-and-leaseback before 2019)	92.1	25.2	51.1	15.8

The Group’s lease liabilities have the following maturities. The figures are based on contractual, undiscounted payments.

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Up to 3 months	7.3	7.3
3 to 12 months	17.4	17.9
1 to 5 years	47.9	53.8
Over 5 years	17.1	20.9
Total	**89.7**	**99.9**

The following amounts were recognized in profit or loss in the reporting period:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Depreciation expense on right-of-use assets	22.5	20.1
Interest expense on lease liabilities	2.6	2.9
Income from subleasing right-of-use-assets, reported under other income	0.1	0.1
Expense for short-term leases (included in cost of sales)	0.1	0.4
Expense for short-term leases (included in sales and service expenses)	–	1.2
Expense for short-term leases (included in general and administrative expenses)	–	0.1
Expense for leases on low-value assets (included in cost of sales)	0.2	0.2
Expense for leases on low-value assets (included in sales and service expenses)	0.1	0.1
Expense for leases on low-value assets (included in general and administrative expenses)	0.2	0.1
Variable lease payments	0.1	0.3
Total recognized in profit or loss	**25.7**	**25.3**

The Group’s cash outflow for leases in 2020 amounted to EUR 25.1 million (2019: EUR 26.2 million). Furthermore, the Group recorded non-cash additions to right-of-use assets and lease liabilities in 2020 amounting to EUR 22.2 million (2019: EUR 40.6 million).

The following table shows the undiscounted potential future lease payments for periods after the exercise date of extension options not included in the lease term.

IN € MILLION

	Within five years	Over five years	Total Dec. 31, 2020
Extension options where exercise is not expected	1.7	20.8	22.5

IN € MILLION

	Within five years	Over five years	Total Dec. 31, 2019
Extension options where exercise is not expected	7.9	33.6	41.5

The Group has signed a number of leases that had not yet commenced on December 31, 2020. Future lease payments for these noncancelable leases amount to EUR 0.3 million for the next year (2019: EUR 1.5 million), EUR 1.0 million for years two to five (2019: EUR 4.4 million), and EUR 0.9 million thereafter (2019: EUR 0.0 million).

Other information

27 – Contingent liabilities

Contingent liabilities, on the one hand, represent possible obligations that may be incurred depending on the occurrence of a future event or events which are of an uncertain nature and not wholly within the control of the company. On the other hand, contingent liabilities represent present obligations for which payment is not probable or the amount of the obligation cannot be determined with sufficient reliability.

The Group has undersigned the following guarantees:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Guarantees	0.2	0.3

28 – Other financial liabilities

a) Obligations

The terms of the obligations for service contracts are as follows:

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Obligations due within 1 year	17.4	13.2
Obligations due in 1 to 5 years	13.3	7.5
Obligations due in more than 5 years	0.3	0.2
Total	**31.0**	**20.9**

The increase in obligations for service contracts by EUR 10.1 million to EUR 31.0 million is mainly due to reassessment of the renewal and termination options of some existing service agreements, as well as to newly concluded agreements.

b) Obligations resulting from investment decisions / take-back and purchase commitment obligations

Financial obligations ensuing from construction and investment projects amounting to EUR 0.8 million (2019: EUR 10.9 million) and from take-back obligations amounting to EUR 48.5 million (2019: EUR 73.4 million) have been recognized. Based on historical experience and on the current market situation the Group considers the probability of its take-back obligations to be insignificant. Therefore, no refund liabilities or right-of-return assets are recorded.

In addition, unconditional purchase commitments amounting to EUR 212.3 million (2019: EUR 193.8 million) are in place.

c) Legal proceedings and court cases

In the course of its normal activities, the company is exposed to judicial and extrajudicial proceedings from time to time. The outcome of these proceedings often depends on an uncertain future event and cannot be predicted with certainty. The Group is involved in a number of individual cases where the outcomes are considered to be insignificant.

29 – Additional information on financial instruments

IN € MILLION

	2020 Fair value	2020 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Assets						
Investments	6.8	6.8	2.7	4.1	–	–
Other non-current financial assets	110.6	109.7	–	1.6	100.7	7.4
Trade receivables	222.4	222.4	–	–	222.4	–
Other current financial assets	45.5	45.5	2.1	–	33.2	10.2
Cash and cash equivalents	283.1	283.1	–	–	283.0	0.1

IN € MILLION

	2020 Fair value	2020 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Liabilities						
Long-term financial borrowings	427.4	409.8	–	–	409.8	–
Trade payables	137.1	137.1	–	–	137.1	–
Short-term liabilities to financial institutions	4.7	4.7	–	–	4.7	–
Current portion of long-term borrowings	0.2	0.2	–	–	0.2	–
Other short-term financial borrowings	38.5	38.5	4.5	2.5	31.5	–

IN € MILLION

	2019 Fair value	2019 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Assets (adjusted)						
Investments	11.5	11.5	–	11.5	–	–
Other non-current financial assets	94.9	94.9	–	1.6	77.5	15.8
Trade receivables	359.1	359.1	–	–	359.1	–
Other current financial assets	23.6	23.6	0.3	–	18.5	4.8
Cash and cash equivalents	46.3	46.3	–	–	46.1	0.2

IN € MILLION

	2019 Fair value	2019 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Liabilities (adjusted)						
Long-term financial borrowings	379.5	372.4	–	–	372.4	–
Trade payables	149.9	149.9	–	–	149.9	–
Short-term liabilities to financial institutions	112.4	112.4	–	–	112.4	–
Current portion of long-term borrowings	0.5	0.5	–	–	0.5	–
Other short-term financial borrowings	41.7	41.7	4.2	3.0	34.5	–

The following table shows the net profits and losses from financial instruments based on valuation categories. It does not include any effects on income resulting from finance leases as these are not allocated to any valuation categories defined in IFRS 9. Similarly, interest and dividends have not been recognized on the net profits and losses from financial instruments.

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
At amortized cost	33.3	3.3
Measured at fair value recognized in the income statement	-3.2	5.6
Financial liabilities measured at amortized cost	10.1	-0.9

The net gain/loss from the category receivables valued “At amortized cost” results from provisions for expected losses on trade receivables.

The gains and losses from adjustments to the fair value of derivatives that do not meet hedge accounting criteria are included in the category of “measured at fair value recognized in the income statement”.

Total interest income (EUR 0.1 million; 2019: EUR 0.3 million) and total interest expense (EUR 8.2 million; 2020: EUR 9.6 million) were recognized for financial assets and liabilities (calculated using the effective interest rate method) that were not “measured at fair value recognized in the income statement”.

Financial instruments in the form of foreign currency trade receivables and payables are valued at the relevant spot rates applicable on the balance sheet dates. This results in expenses in the amount of EUR 3.8 million (2020: EUR 2.2 million income) which is reported in the financial result.

The Group uses derivative financial instruments, such as forward currency contracts, currency swaps and interest rate swaps, to hedge its foreign exchange risks and interest rate risks. Such derivative financial instruments are initially recognized as at the date on which a derivative contract is entered into, as subsequently designated, at fair value. The Group uses currency swaps to hedge exchange risks from loans issued internally by the holding company to its affiliates. The Group does not apply hedge accounting within the scope of IAS 39 to this area, as the effects from the hedging relationship are recognized through profit or loss in the financial result. In the period under review, financial assets in the amount of EUR 2.1 million (2019: EUR 0.3 million) were derived from positive market values. For negative market values, the Group recognized a financial liability in the amount of EUR 4.5 million (2019: EUR 4.2 million).

An interest rate swap was also concluded in fiscal 2019 to hedge the interest rate risk from the variable tranche of the promissory note (Schuldschein) in US dollars. The Group uses cash flow hedge accounting in accordance with IAS 39 for this purpose. This results in a financial liability of EUR 2.5 million (2019: EUR 1.5 million) at fair value.

In addition, the Group uses forward currency contracts to hedge the currency risk arising from future purchase transactions in foreign currencies. The Group uses cash flow hedge accounting in accordance with IAS 39 for this purpose. In this context, EUR 0.0 million (2019: EUR 1.5 million) is recognized directly in equity.

The table below shows the financial instruments subsequently designated at fair value. Refer to the section on accounting and valuation methods for information on how fair value is categorized (into hierarchical levels) in accordance with IFRS 13.

The methods and assumptions used to determine the fair values were as follows:

IN € MILLION

	Level 1	Level 2	Level 3	Dec. 31, 2020
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	2.1	–	2.1
Hedged derivatives	–	–	–	–
Financial assets categorized “measured at fair value through other comprehensive income”				
Securities	3.5	–	–	3.5
Investments	–	–	6.8	6.8
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	4.5	–	4.5
Hedged derivatives	–	2.5	–	2.5

IN € MILLION

	Level 1	Level 2	Level 3	Dec. 31, 2019
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	0.3	–	0.3
Hedged derivatives	–	–	–	–
Financial assets categorized “measured at fair value through other comprehensive income”				
Securities	1.6	–	–	1.6
Investments	–	–	11.5	11.5
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	4.2	–	4.2
Hedged derivatives	–	3.0	–	3.0

Long-term fixed and floating rate receivables/borrowings are evaluated by the Group based on parameters including interest rates, certain 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, 2020, the book values of these receivables, less allowances for doubtful accounts, corresponded approximately to their calculated fair values.

The fair value of pension funds “measured at fair value not recognized in the income statement” is derived from quoted prices on active markets.

In fiscal 2019, the Group acquired a minority shareholding in North America to strengthen its sales network in the US. This non-listed equity investment is allocated to level 3 of the fair value hierarchy in the amount of EUR 4.1 million (2019: EUR 8.9 million). The fair values have been estimated using the discounted cash flow method. The valuation requires internal management to make certain assumptions regarding the input factors of the model, including forecasted cash flows, the discount rate, the default risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in internal management’s estimate of fair value for these non-listed equity investments. The shareholding is “measured at fair value not recognized in the income statement” and reported under financial assets (equity instrument).

The minority shareholding in Austria in the form of non-listed shares is allocated to level 3 of the fair value hierarchy in the amount of EUR 2.7 million (2019: EUR 2.6 million) The fair values of non-listed shares were determined using the discounted cash flow method. The valuation requires external portfolio management to make certain assumptions regarding the inputs to the model, including forecasted cash flows from shares held within the portfolio, the discount rate, the default risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in external portfolio management’s estimate of fair value for these non-listed equity investments. In the previous year, an impairment loss in the amount of EUR 0.4 million was recognized on this investment and reported under other income. However, due to its immateriality for the Group, the previous year’s figures have not been adjusted; instead, the correction was made in the year under review and resulted in the reclassification of EUR 0.4 million from “Other neutral changes” (part of “Other reserves”) to financial expenses and thus to an effect on earnings in the same amount. The shareholding is “measured at fair value through other comprehensive” and reported under financial assets (equity instrument).

The Group concludes derivative financial instruments with various counterparties, principally financial institutions with a high credit rating. Derivatives valued by applying an evaluation process with inputs observable on the market primarily include forward exchange contracts. The most frequently used evaluation methods include forward price models using present value calculations. The models incorporate various inputs including the credit standing of the business partner, spot exchange rates, futures rates and forward exchange rates.

The fair values of the Group’s interest-bearing loans are determined using the discounted cash flow method. The discount rate used reflects the borrowing rate of the issuer at the close of the period under review. The Group’s own risk of non-performance was classified as low as of December 31, 2020.

Factoring transaction

In fiscal 2019, the Group was a party to a factoring transaction that it reversed in the current fiscal year as it could avail of more favorable conditions with the new ABS transaction. At the December 31, 2020 closing date, there is therefore continuing involvement of EUR 0.0 million (2019: EUR 3.4 million) arising from the factoring transaction from fiscal 2019.

Asset-backed transaction

In fiscal 2020, the Group concluded an agreement with a German financial institution for the bundled sale of receivables to a maximum volume of USD 150 million.

In this agreement, the purchase price is to be paid immediately upon sale minus a reserve withheld by the bank. The risks relevant for the risk assessment with regard to the sold receivables correspond to the credit risk (default risk). Wacker Neuson carries the credit-risk related defaults from the various tranches, in each case up to a specified amount; the other credit-risk related defaults are carried by the bank. As a result of the split in the material risks between Wacker Neuson and the banks, practically none of the risks and rewards associated with the sold receivables were transferred or retained (splitting material opportunities and risks between Wacker Neuson and the buyer). As of December 31, 2020, the continuing involvement of Wacker Neuson in this transaction amounted to EUR 6.3 million (2019: EUR 0.0 million). Liabilities to the bank in the same amount were reported as debt under this continuing involvement.

Wacker Neuson continues to perform receivables management (servicing) for the sold receivables. Buyers have the right to transfer servicing to a third party without justification. Although Wacker Neuson is not authorized to otherwise dispose of the sold receivables other than in its role of servicer, it retains the right of disposal for the sold receivables in light of the agreed first loss guarantees, as the acquiring bank does not have the actual ability to re-sell the acquired receivables.

When the receivable is sold, the fair value of the expected losses is expensed as incurred. Anticipated future payments are carried as a component of the associated liability.

Certain components of the purchase price are initially retained and, depending on the amount of the actual default on the receivables, are only paid out to Wacker Neuson at a later date. To the extent that subsequent receipt of such purchase price components is to be expected, they are capitalized at fair value.

Wacker Neuson continues to carry the sold trade receivables related to the above transactions in the amount of its continuing involvement, i.e. at the maximum amount at which it retains liability for the credit risk and late payment risk inherent in the sold receivables, recognizing this as a liability in the corresponding amount disclosed under borrowings from banks. The receivables and the associated liability are subsequently derecognized to the extent that Wacker Neuson’s continuing involvement is reduced (in particular when payments are made by customers). The carrying amount of the receivables is subsequently reduced by the extent to which the actual losses to be borne by Wacker Neuson resulting from the credit risk exceed the losses initially anticipated. This amount is recognized as an expense.

Further details on the financial transaction for the transfer of assets is included in the following table.

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Transferred assets		
End of contractual terms in year	2023	2024
Contractual maximum volume	122.2	30.1
Sold receivables volume on balance sheet date	34.3	20.8
Range of sold receivables volume in year under review	34.3	20.8
Entitlements/obligations from receivables management	–	–
Continuing involvement		
Maximum credit risk (before credit insurance)	6.3	3.4
Total carrying amount of transferred receivables	34.3	20.8
Book value of assets still carried	6.3	3.4
Book value of associated liability	6.3	3.4
Fair value of the financial guarantee	0.3	0.1
Purchase price discounts, program fees, and pro rata loss allocations recognized in income		
Recognized gains/losses	–	–
Income/expense in the current fiscal year	0.1	–
Income/expense accumulated since start of contract	0.1	–

30 – Events since the balance sheet date

No events occurred after the end of the reporting period which could have a material impact on the future business development of the Wacker Neuson Group.

31 – Segmentation

Division and determination of operating segments

The internal organizational structure and management structure as well as the internal reports to the Executive Board and Supervisory Board, which are based on geographical segments, form the basis for determining the operating segments of the company. For information regarding geographical segmentation of affiliates, refer to the section on consolidation structure (see the general information on accounting standards / consolidation structure). According to this structure, the affiliates are geographically grouped into regional markets (Europe, Americas and Asia-Pacific). Turkey, Russia and South Africa are included in the Europe segment. Beyond geographical segmentation, reporting is also carried out internally according to business segments. This exclusively deals with revenue. Company management will therefore continue to focus on geographical segments. In the period under review, no segmentation changes were made.

Products and services of operating segments

The products and services offered by the geographical operating segments can be divided into light equipment, compact equipment and services.

The light equipment business segment covers the manufacture and sale of light equipment in the three business fields of concrete technology, compaction and worksite technology.

The compact equipment business segment focuses on the manufacture and sale of compact equipment.

The services business segment manages, amongst other things, the company's activities in the spare parts, maintenance and used equipment business fields as well as income from customer financing, rental solutions, the sale of third-party equipment and extended warranties.

Segment valuation methods

The intrasegment business transactions that were reported under EBIT for the individual segments are listed in the consolidation column. Non-current assets are reported according to key countries.

Segment valuation methods are based on the valuation methods used in internal reporting. Internal reporting is carried out exclusively in line with the valid IFRS standards as applicable.

Transactions between the individual Group segments are based on prices that also apply to third-party transactions.

Reporting format

Segmentation is presented in the Notes to the Consolidated Financial Statements on → page 83 of this Annual Report.

Segment revenue and segment earnings, expressed as EBIT, are derived from internal reporting. Figures from the individual companies are added together to reach this EBIT figure. As the holding company, Wacker Neuson SE is allocated to the Europe segment. Expenses for the corporate services it provides are allocated in full to the individual regional reportable segments.

The consolidation column reflects the elimination of transactions affecting income that took place between operating segments. This primarily refers to the consolidation of intercompany profits and losses from the sale of goods.

Revenue from external customers, categorized according to products and services, are recognized at company level. In addition, revenue and non-current assets are reported according to key countries. No individual customer accounted for more than 10 percent of Group revenue.

32 – Cash flow statement

The cash flow statement is prepared in accordance with IAS 7. The cash flow statement reports cash flows resulting from operating activities, from investment 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 liquid funds as reported on the balance sheet. Short-term borrowings from banks in the notional Group cash pool were offset against liquid funds.

Refer to item 16 in these Notes to see the breakdown of current liquid funds.

IAS 7.18 allows entities to report cash flows from operating activities using either the direct or indirect method. The Group presents its cash flows using the indirect method.

"Cash flow from investment activities" comprises the cash outlay for tangible and intangible assets less divestments.

"Cash flow from financing activities" contains payments received from shareholders, including interest paid, as well as payments made to them. It also contains payments resulting from borrowing and repayment of debt. The change in liabilities from financing activities comprises the following: "Other" includes the effects of reclassification of the non-current portion of financial and lease liabilities to current liabilities due to the passage of time, as well as disposals of lease liabilities.

RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

IN € MILLION

	Jan. 1, 2020	Cash flows	Continuing involvement	Foreign exchange movement	New leases (incl. sale and leaseback)	Other	Dec. 31, 2020
Short-term liabilities to financial institutions (Note 21)	**112.4**	-107.4	4.0	–	–	0.2	9.2
Current portion of long-term borrowings (Note 21)	**0.5**	–	–	–	-0.3	–	0.2
Short-term lease liabilities (Note 26)	**25.2**	-26.0	–	–	–	26.5	25.7
Long-term financial borrowings (Note 21)	**372.4**	50.0	-1.1	-7.5	–	-2.2	411.6
Long-term lease liabilities (Note 26)	**66.9**	–	–	-0.3	17.0	-26.5	57.1
Total liabilities from financing activities	**577.4**	**83.4**	**2.9**	**-7.8**	**16.7**	**-2.0**	**503.8**

	Jan. 1 2019	First adoption of IFRS 16	Cash flows	Continuing involvement	Foreign exchange movement	New leases (incl. sale and leaseback)	Other	Dec. 31, 2019
Short-term liabilities to financial institutions (Note 21)	**33.8**	**–**	76.9	0.5	**–**	**–**	1.2	**112.4**
Current portion of long-term borrowings (Note 21)	**–**	–	–	–	–	0.5	–	0.5
Short-term lease liabilities (Note 26)	**1.4**	25.2	-24.4	–	0.1	6.5	16.4	**25.2**
Long-term financial borrowings (Note 21)	**214.7**	–	150.0	2.9	1.7	3.9	-0.8	**372.4**
Long-term lease liabilities (Note 26)	**2.6**	48.8	–	–	0.4	34.1	-19.0	**66.9**
Total liabilities from financing activities	**252.5**	**74.0**	**202.5**	**3.4**	**2.2**	**45.0**	**-2.2**	**577.4**

33 – Risk management

Capital management

A key aim of the Group's capital management policy is to maintain a high equity ratio to support its business activities.

The Group actively controls and modifies its capital structure in line with changing market dynamics. The goal of the capital management policy is to secure the Group's business and investment activities in the long term. To maintain a suitable capital structure, the Group can propose changes to dividend payments to shareholders or issue new shares. As at December 31, 2020 and December 31, 2019 respectively, no changes were made to objectives, guidelines or procedures within the framework of the capital structure control policy. The Group monitors its capital using net financial debt resulting from current net financial liabilities and non-current financial liabilities as an indicator.

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Current financial liabilities	9.4	112.9
Short-term financial liabilities	9.2	112.4
Current portion of long-term financial liabilities	0.2	0.5
Non-current financial liabilities	411.6	372.4
Total equity before minority interests	1,218.1	1,225.0
Total capitalization	**1,639.1**	**1,710.3**

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Current net financial liabilities	**-273.7**	**66.6**
Short-term liabilities	9.4	112.9
plus liquid funds	-283.1	-46.3
Net financial debt	**137.9**	**439.0**
Current net financial liabilities	-273.7	66.6
plus non-current financial liabilities	411.6	372.4

Financial risk factors

Due to the global scope of its operations, the Group is exposed to various financial risks, including foreign currency risks, credit risks, liquidity risks and interest rate risks. The comprehensive risk management policy of the Group is focused on the unpredictability of developments in financial markets and aims to minimize any potential negative impact on the Group's financial position. It is a general policy of the company to reduce these risks by systematic financial management. In particular, the Group employs selective derivative financial instruments to hedge against certain risks.

The Group finance department is responsible for risk management in accordance with the rules and guidelines approved by the Executive Board. It identifies, evaluates and hedges against financial risks in close cooperation with the operating units of the Group. The Executive Board sets guidelines for risk management as well as fixed policies for specific areas of risk. These include dealing with foreign currency risks, interest rate risks and credit risks.

The guidelines also specify how derivative and other financial instruments and liquidity surpluses are to be used.

Currency risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by hedging at least 50 percent of all transactions that are expected to occur within a maximum 12-month period for hedges of forecasted purchases.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Group hedges its exposure to fluctuations on the translation into euros of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards.

If the USD/EUR exchange rate increased or decreased by 5 percent, changes in the financial assets and liabilities reported in the balance sheet in US dollars would have the following impact on profit before tax and equity:

	2020	2019
USD currency trends as a %	+5.00/-5.00	+5.00/-5.00
Impact on profit before tax (EBT) in € K	-1.8/2.0	0.4/-0.5
Impact on equity in € K	-4.2/4.6	-2.1/2.4

In 2020, the average EUR/USD exchange rate was EUR 1 to USD 1.14 (2019: EUR 1 to USD 1.12).

The Group is also subject to currency risks from individual transactions resulting from purchases and sales executed by a Group member in a currency other than the functional currency.

Credit risks

The Group is not exposed to any material credit risks (default risks). Contracts for derivative financial instruments and financial transactions are concluded only with financial institutions with a high credit rating in order to keep the risk of default by the contracting party as low as possible. The book value of financial assets recognized in the Consolidated Financial Statements represents the maximum default risk. Refer to item 29, "Additional information on financial instruments", in these Notes for further information on the book value of financial assets.

Continued weakness on construction and financial markets in some countries may present certain Group customers with financial difficulties, possibly culminating in insolvency. This would lead to a rise in accounts receivable and a subsequent increased risk of default. The Group is counteracting the risk of changes in individual customers' payment patterns through its active accounts receivable management policy, partner "health checks" and tools such as credit hedging. These are in place for a volume of EUR 623.0 million and reimburse approx. EUR 14.8 million of the nominal value in case of default.

Interest rate risks

Interest rate risks are caused by market fluctuations in interest rates. On the one hand, they impact the amount of interest payments for which the Group is liable. On the other hand, they influence the fair value of financial instruments.

The following balance sheet items include floating rate cash and cash equivalents, and liabilities which are subject to interest rate risks.

IN € MILLION

	Dec. 31, 2020	Dec. 31, 2019
Cash and cash equivalents	283.1	46.3
Long-term borrowings	411.6	372.4
Short-term borrowings	9.2	112.4
Current portion of long-term borrowings	0.2	0.5
	704.1	**531.6**

The following table demonstrates the sensitivity of the Group's earnings before tax to a reasonably possible change in interest rates based on the impact on floating rate loans and cash and cash equivalents.

The fixed-interest promissory note (Schuldschein) was not included when calculating the impact on earnings. Refer to item 21, "Long- and short-term financial liabilities", for further information.

The effects on Group earnings before tax also reflect the impact on equity.

IN € MILLION

	2020	2019
Increase in interest rates of 0.2%	-0.9	-0.8
Decrease in interest rates of 0.2%	0.9	0.8

From the valuation of the interest rate swap for hedging the variable part of the promissory note (Schuldschein) in US dollars, losses in the amount of EUR 2.7 million (2019: EUR 1.5 million) are recognized directly in equity. If the 3-month US dollar LIBOR changes by +/- 0.5 percentage points, an additional effect of +/- EUR 0.6 million would result in other income.

The future changes resulting from the IBOR reform could have a corresponding impact on the consolidated financial statements. Depending on the final determination of the base rate, this will affect the current hedge relationship. From the current point of view, it is not possible to reliably forecast the impact. However, the Group assumes that these changes will not have any material effects due to the transitional provisions and their practical expedients.

Liquidity risks

Liquidity risks involve the availability of funds needed to meet payment obligations on time. The company is assured of a supply of liquid funds at all times by lines of credit it is not currently using. Liquidity is managed by the central treasury department using a Group-wide cash pool system. Refer to item 21, "Long- and short-term financial liabilities", in these Notes for further information – also on existing credit lines and financial covenants.

34 – Executive bodies

Executive Board

In the year under review, the Executive Board comprised the following members:

- Martin Lehner, CEO/CTO, responsible for strategy/M&A, investor relations & sustainability, HR and corporate communication, legal matters & compliance, research and development, strategic procurement (until December 31, 2020), production, and quality (until September 30, 2020 in both cases)
- Felix Bietenbeck, COO, responsible for production, quality, supply chain management (including operational procurement), indirect procurement, regional responsibility for the Americas region (from October 1, 2020)
- Alexander Greschner, CSO, responsible for sales, aftermarket and marketing
- Kurt Helletzgruber, CFO, responsible for finance (including taxes and treasury), real estate, controlling & risk management, auditing, IT (including data protection), business process consulting and sales financing (from December 1, 2020, transferred from the Supervisory Board)
- Wilfried Trepels, CFO, responsible for finance, real estate, controlling, auditing, IT (including data protection) and supply chain management (until November 30, 2020)

The following member of the Executive Board has a supervisory board position or a seat on comparable supervisory committees for German or foreign companies:

- Felix Bietenbeck: Wilh. Wülfing GmbH & Co KG, Borken, Chairman of the Advisory Board

Supervisory Board

The following are members of the Supervisory Board of Wacker Neuson SE or were Supervisory Board members during the year under review:

- Johann Neunteufel, Chairman of the PIN Private Trust (PIN Privatstiftung), Linz, Austria; Chairman of the Supervisory Board
- Mag. Kurt Helletzgruber, Chairman of the PIN Private Trust (PIN Privatstiftung), Linz, Austria (position suspended as of December 1, 2020 due to appointment to the Executive Board)
- Christian Kekelj, Chairman of the Central Works Council, Chairman of the Munich Works Council, Maisach, Germany
- Prof. Dr. Matthias Schüppen, attorney at law, auditor, tax advisor and partner at the Graf Kanitz, Schüppen & Partner law firm, Stuttgart, Germany
- Elvis Schwarzmair, Chairman of the Works Council, Chairman of the Group Works Council and SE Works Council, Rohrbach, Germany
- Ralph Wacker, civil engineer and managing partner of wacker+mattner GmbH, Munich, Germany; Deputy Chairman of the Supervisory Board

In accordance with the Articles of Incorporation, the terms of office of the Supervisory Board members listed above will run until the close of the AGM that tables a resolution to formally approve the actions taken by Wacker Neuson SE during fiscal 2024. The terms may be no longer than six years.

The following members of the Supervisory Board have additional supervisory board positions or seats on comparable supervisory committees for German or foreign companies:

- Johann Neunteufel, Chairman of the Supervisory Board of Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz, Austria (until Apr. 22, 2020)
- Prof. Dr. Matthias Schüppen, Member of the Supervisory Board of Syntellix AG, Hannover, Germany

Refer to item 35, “Related party disclosures”, in these Notes for information on the remuneration of the Executive Board and Supervisory Board, as well as remuneration of former Board members. → See page 139 ff

35 – Related party disclosures

For the Group, related party disclosures within the meaning of IAS 24 generally refers to shareholders and entities over which shareholders have control or significant influence (sister companies, members of the Executive Board and members of the Supervisory Board).

Key trade relations with related parties during the period under review were as follows:

IN € MILLION

	Current receivables Dec. 31, 2020	Current payables Dec. 31, 2020	Expenses for business transactions 2020	Income for business transactions 2020
Relations with shareholders	–	–	0.9	0.1
Relations with sister companies	–	0.1	0.5	0.1
Total	**–**	**0.1**	**1.4**	**0.2**

IN € MILLION

	Current receivables Dec. 31, 2019	Current payables Dec. 31, 2019	Expenses for business transactions 2019	Income for business transactions 2019
Relations with shareholders	–	0.1	0.9	0.1
Relations with sister companies	–	–	0.5	0.4
Total	**–**	**0.1**	**1.4**	**0.5**

Relations with shareholders resulted mainly from goods and services traded with a shareholder; namely Wacker Werke GmbH, a competence center for concrete compaction. The goods and services delivered to this shareholder were valued at EUR 0.1 million (2019: EUR 0.1 million). These were counterbalanced with goods and services received from the shareholder to the value of EUR 0.9 million (2019: EUR 0.9 million). The goods and services were traded under the terms customary in the market, as also agreed with third parties.

Relations with sister companies and entities over which shareholders have control or significant influence result mainly from the delivery of products and services and from rental arrangements between affiliates and entities over which shareholders have control or significant influence. The goods and services were traded under the terms customary in the market, as also agreed with third parties.

Total remuneration for the Executive Board in the fiscal year under review amounted to EUR 4.7 million. The prior-year figure was EUR 4.0 million. Total remuneration for the Supervisory Board amounted to EUR 0.5 million (2019: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed in line with Section 286 (5) sentence 1, Section 314 (3) sentence 1 and Section 315a (1) HGB to refrain from itemizing this information in accordance with Section 285 no. 9a sentences 5-8 and Section 314 (1) no. 6a sentences 5-8 HGB in conjunction with Section 315a (1) HGB. At the closing date, short-term payables to the Executive Board were outstanding in the amount of EUR 2.2 million (2019: EUR 2.0 million), as well as other long-term payables in the amount of EUR 2.2 million (2019: EUR 1.5 million).

Retirement commitments were agreed upon for members of the Executive Board (including members who stepped down in the current fiscal year). The present value of pension obligations at the end of the fiscal year amounted to EUR 10.8 million (2019: EUR 8.8 million). The increase in the present value of pension obligations (addition) amounted to EUR 2.0 million (2019: addition of EUR 1.7 million). The present value of pension obligations corresponds to obligations before netting with plan assets and before any possible actuarial gains or losses that have not yet been recognized. Refer to item 19, “Provisions for pensions and similar obligations”, in these Notes for further information.

Pension agreements are also in place for former members of the Executive Board. The value of these pension obligations at the end of the fiscal year came to EUR 39.2 million (2019: EUR 38.1 million). In the period under review, a total of EUR 1.1 million (2019: EUR 1.1 million) was paid to former Executive Board members.

36 – Auditor’s fee

The fee for the auditor and associated companies is disclosed as an expense in fiscal 2020 and is broken down as follows:

IN € MILLION

	2020 Auditor and associated companies	2020 Of which auditor	2019 Auditor and associated companies	2019 Of which auditor
Auditing services	1.5	0.9	1.4	0.7
Other approval and assessment services	-	-	-	-
Tax consultation services	0.1	0.1	0.3	0.2
Other services	-	-	-	-

37 – Declaration regarding the German Corporate Governance Code

The Executive Board and Supervisory Board have issued a declaration stating which recommendations from the Government Commission on the German Corporate Governance Code have been and are being adopted. The declaration can be accessed at any time from the Group website at → www.wackerneusongroup.com.

38 – Availing of exemption provisions according to Section 264 (3) and/or Section 264b HGB

The following fully consolidated domestic affiliates avail of the exemptions set down in Section 264 (3) HGB and/or Section 264b HGB for fiscal 2020:

Company name	City
Kramer-Werke GmbH	Pfullendorf
Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf
Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen
Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich
Wacker Neuson Aftermarket & Services GmbH	Munich
Weidemann GmbH	Diemelsee-Flechtdorf
Wacker Neuson Immobilien GmbH	Überlingen

Munich, March 18, 2021

Wacker Neuson SE

The Executive Board

Kurt Helletzgruber
Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Alexander Greschner
Chief Sales Officer (CSO)

Responsibility statement by the management

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, financials and profit of the Wacker Neuson Group, and the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Wacker Neuson Group and of the parent company Wacker Neuson SE, together with a description of the principal opportunities and risks associated with the expected development of the Wacker Neuson Group and of the parent company Wacker Neuson SE."

Munich, March 18, 2021

Wacker Neuson SE, Munich

The Executive Board

Kurt Helletzgruber
Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Alexander Greschner
Chief Sales Officer (CSO)

Independent Auditor’s Report

Translation of the German independent auditor’s report concerning the audit of the consolidated financial statements and group management report prepared in German. The auditor's report reproduced below also includes a "Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes" ("ESEF Report"). The subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette."

To Wacker Neuson SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Wacker Neuson SE, Munich, and its subsidiaries (the Group), which comprise the consolidated income statement and consolidated statement of comprehensive income for the fiscal year from 1 January 2020 to 31 December 2020, the consolidated balance sheet as of 31 December 2020, the consolidated statement of changes in equity and the consolidated cash flow statement for the fiscal year from 1 January 2020 to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report, which has been combined with the management report of Wacker Neuson SE, for the fiscal year from 1 January 2020 to 31 December 2020. We have not audited the content of the parts of the group management report specified in the appendix to the auditor’s report and the company information stated therein that is provided outside of the annual report and is referenced in the group management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB [“Handelsgesetzbuch”: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of 31 December 2020 and of its financial performance for the fiscal year from 1 January 2020 to 31 December 2020, and

- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the parts of the group management report specified in the appendix to the auditor’s report.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s responsibilities for the audit of the consolidated financial statements and of the group management report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) Revenue recognition and deferred revenue

Reasons why the matter was determined to be a key audit matter: Group revenue consists of revenue from the sale of construction equipment and compact machines including used machines, the rental of machines within Europe as well as the sale of replacement parts and repair services. As part of the expansion drive abroad, distribution is being performed increasingly by sales partners, specifically dealers, rental companies and strategic partners with whom cooperation agreements are in place. In the US in particular, the Group is increasingly working with “anchor dealers” with a larger number of locations and branches. Due to the wide range of products, various sales channels and service offerings, including a variety of customer financing options and customer bonuses as well as warranty terms, there is a risk of incorrect recognition of revenue both in terms of the amount recognized and the timing. In particular, the financing models used by dealers in the US raise questions regarding the timing of revenue recognition. This relates to prepaid volume bonuses as well as the identification of financing components as regards payments terms. In addition, revenue is a key performance indicator and the reporting year was marked by a general weakening of the economic environment due to the COVID-19 pandemic. In light of this, revenue recognition and deferred revenue was considered to be a key audit matter in our audit.

Auditor's response: As part of our audit procedures, we analyzed the accounting policies applied in the consolidated financial statements in accordance with group accounting guidance for revenue recognition based on the criteria defined in IFRS 15.

We gained an understanding of the process implemented by the executive directors for the recognition of revenue including deferred financing components, expected extended warranties and prepaid volume bonuses by examining individual business transactions from the order through to recognition in the consolidated financial statements. Based on our understanding of the business and process, we examined the contractually agreed terms and conditions on a sample basis.

Our analytical audit procedures comprised the analysis of revenue over the course of the year in comparison with the prior year with regard to any anomalies in the amounts recognized. In connection with revenue for fiscal year 2020, we examined the correlation with the associated trade receivables and payments in order to identify irregularities in the development of revenue. In order to detect irregularities in the margin development over the course of the year and in comparison to the prior year, we performed analyses of the gross margin on a monthly basis.

We examined the key terms and conditions in customer financing for the corresponding identification of the financing components.

In order to assess whether revenue was matched to the correct period, we reconciled and recalculated the revenue recognized at the end of the year as well as the deferred revenue based on the agreed terms and conditions on a sample basis.

Further, we reviewed the completeness of the disclosures pursuant to IFRS 15 in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning revenue recognition and deferred revenue.

Reference to related disclosures: With regard to the accounting policies applied for revenue recognition and deferred revenue, we refer to the disclosures in the sections Accounting and valuation methods – Revenue and earnings recognition and Realization of expenses as well as no. 1 – Revenue in the notes to the consolidated financial statements.

2) Impairment of goodwill, other intangible assets and property, plant and equipment

Reasons why the matter was determined to be a key audit matter: Goodwill, other intangible assets and property, plant and equipment represent a significant share of the assets of the Wacker Neuson Group. The reporting year was marked by a general weakening of the economic environment due to the COVID-19 pandemic, which may indicate a need for impairment. Furthermore, judgment is used in the assessment of impairment and the underlying future cash flows and discount rates. The impairment of goodwill, other intangible assets and property, plant and equipment was therefore a key audit matter in our audit.

Auditor's response: As part of our audit, we analyzed the processes implemented by the executive directors as well as the accounting policies regarding the performance of impairment tests for goodwill, other intangible assets and property, plant and equipment for potential sources of error and gained an understanding of the process steps. With regard to the lower net realizable values calculated by the executive directors, we examined the processes related to the review and approval of planning as the significant basis for the impairment tests and the calculation of net realizable value.

We compared the planning used in the impairment tests against the planning approved by the management board and supervisory board on a sample basis. In our evaluation of the planning and assumptions, we discussed and verified explanations given by management on the main value drivers in the planning in light of market expectations. We analyzed the planning by comparing it with the actual results generated in the past and the current development of business figures. The parameters used to estimate net realizable value such as the estimated growth rates and the weighted average cost of capital were discussed with management and assessed by comparing them with publicly available market data and in light of future changes in significant assumptions. To be able to assess an impairment risk in the event of a potential change in one of the main assumptions, we verified the sensitivity analyses carried out by management. With the help of internal valuation experts, we gained an understanding of the methodology and mathematical accuracy of the valuation model and assumptions used.

Moreover, the planning and assumptions were compared with the forecast information contained in the group management report regarding future economic development for consistency.

In addition, we assessed the information provided in the notes to the consolidated financial statements on the significant judgments and estimates as well as significant assumptions for the testing of impairment of goodwill with regard to the requirements under IAS 1 and IAS 36.

Our audit procedures did not lead to any reservations concerning the impairment testing of goodwill, other intangible assets and property, plant and equipment.

Reference to related disclosures: With regard to the accounting policies applied for goodwill, other intangible assets and property, plant and equipment, we refer to the disclosures in the section Accounting and valuation methods – Property, plant and equipment as well as Material discretionary decisions, estimates and assumptions as well as no. 8 – Property, plant and equipment and no. 10 – Intangible assets in the notes to the consolidated financial statements.

3) Recoverability of non-current financial assets and receivables from prepaid volume bonuses used in major dealer financing

Reasons why the matter was determined to be a key audit matter: Long-term trade receivables as well as prepaid volume bonuses from dealer financing in the US represent a significant share of the assets of the Wacker Neuson Group. The assessment of recoverability requires considerable judgment-based estimates by the executive directors regarding default risks as well as forward-looking information at the level of the individual dealers, also taking into account the effects of the COVID-19 pandemic. The recoverability of these assets was therefore a key audit matter in our audit.

Auditor's response: We examined the processes used in assessing default risks and estimating expected credit losses for individual dealers in the US. The estimates of the executive directors regarding default risks and expected credit losses were discussed and scrutinized.

Past and forward-looking information, in particular as regards observations from industry and market analyses, was compared and examined taking into account our past experience and the economic environment of the Group. The assumptions regarding the impact of the COVID-19 pandemic on the financial situation of the respective dealers, which were made by the executive directors and evaluated by us, were included in this assessment.

Our audit procedures did not lead to any reservations concerning the recoverability of non-current financial assets and receivables from prepaid volume bonuses used in dealer financing.

Reference to related disclosures: With regard to the accounting policies applied for non-current financial assets and receivables from prepaid volume bonuses, we refer to the disclosures in the section Accounting and valuation methods – Financial instruments and hedge accounting, as well as no. 11 – Other non-current assets, no. 15 – Other current assets and no. 29 – Additional information on financial instruments in the notes to the consolidated financial statements.

4) Asset-backed securities (ABS)

Reasons why the matter was determined to be a key audit matter: The Group uses various customer incentives to expand its business in the US; one of these incentives being receivables issued with longer payment terms (> 360 days). ABS are used as a tool to manage liquidity and receivables from dealer financing are sold. In these ABS transactions, the Group retains the risk of default up to a maximum amount. Pursuant to IFRS 9, management assesses whether the Group has transferred its rights to receive cash flows from the assets and whether all risks and rewards have been transferred or retained based on the estimated likelihood of default. In determining the likelihood of default for assessing the complete or partial transfer of risks and rewards and the associated derecognition or partial derecognition as well as the further recognition of the assets to the extent of the Group's continuing involvement, management estimates have a material effect and are subject to uncertainties and judgment. In light of this, the presentation of economic risks from the business expansion in the US through dealer financing and the related counter-financing was considered to be a key audit matter in our audit.

Auditor's response: We examined the process used in assessing ABS transactions and calculating risk provisions for expected credit losses. With regard to the ABS transactions, we examined, in particular, the relevant agreements as well as internal statements by management and external appraisals as to whether the estimates made concerning the transfer of risks and rewards in accordance with the provisions of IFRS and in accordance with our other knowledge based on past experience and of the economic environment of the Group and the industry. We compared the parameters used in the calculations against the agreements and other information concerning the industry and dealers and performed a recalculation. We also reviewed the disclosures on the ABS transactions in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations concerning the accounting or presentation of the ABS transactions in the notes to the consolidated financial statements.

Reference to related disclosures: With regard to the accounting policies applied for asset-backed securities, we refer to the disclosures in the section Accounting and valuation methods – Material discretionary decisions, estimates and assumptions (transfer of financial assets) as well as no. 29 – Additional information on financial instruments – Asset-backed transaction in the notes to the consolidated financial statements.

Other information

The supervisory board is responsible for the report of the supervisory board. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report mentioned in the appendix.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Sec. 317 (3b) HGB on the electronic reproduction of the consolidated financial statements and the group management report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Sec. 317 (3b) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the group management report (hereinafter the "ESEF documents") contained in the attached electronic file "WackerNeusonGroup_Konzernabschluss_2020.zip" and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the group management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the abovementioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file and prepared for publication purposes complies in all material respects with the requirements of Sec. 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the abovementioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying group management report for the fiscal year from 1 January 2020 to 31 December 2020 contained in the "Report on the audit of the consolidated financial statements and of the group management report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the consolidated financial statements and the group management report contained in the abovementioned attached electronic file in accordance with Sec. 317 (3b) HGB and Exposure Draft of IDW Assurance Standard: Assurance in Accordance with Sec. 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in IDW Standard on Quality Control: "Requirements for Quality Control in Audit Firms" (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the group management report in accordance with Sec. 328 (1) Sentence 4 No. 1 HGB and for the tagging of the consolidated financial statements in accordance with Sec. 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB for the electronic reporting format.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and the audited group management report as well as other documents to be published to the operator of the Bundesanzeiger [German Federal Gazette].

The supervisory board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the engagement. We also:

- Identify and assess the risks of material intentional or unintentional non-compliance with the requirements of Sec. 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and to the audited group management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on 30 June 2020. We were engaged by the supervisory board on 30 June 2020. We have been the group auditor of Wacker Neuson SE without interruption since fiscal year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the group management report: Voluntary audit services as well as other audit-related services as part of the review of the non-financial group report.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Peter von Wachter.

Munich, 18 March 2021

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

von Wachter	Strobl
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Appendix to the auditor's report:

1. Parts of the group management report whose content is not audited

We have not audited the content of the following parts of the group management report that are included in "Other information":

- The declaration on corporate governance that was made publicly available.

Furthermore, we have not audited the content of following information which is not typical for the management report included in the "Other information":

- Chart "Quarter-on-quarter comparison: Revenue and EBIT margin 2016 – 2020" in the section "Profit" in Profit, financial position and assets
- Subsection "Group business shaped by the development of the coronavirus pandemic" in the section Profit, financial position and assets and the disclosures made there regarding the individual quarters
- Section "Developments in Q4 2020" as well as the sub-sections "Regional developments", "Segment reporting by business segment" and "Free cash flow continues to develop positively in Q4" as well as the table "Development in Q4" in the section "Assets" in Profit, financial position and assets

2. Further other information

The "Other information" comprises, in addition to the parts mentioned above, the following sections of the annual report:

- Non-financial Group report 2020
- "Figures at a Glance"
- "To our Shareholders"
- "Our Share in 2020"
- "Declaration on Corporate Governance"
- "10-Year Comparison"
- "Responsibility Statement by the Management"
- "Technical Glossary" and "Financial Glossary"
- "Report by the Supervisory Board"

3. Company information outside the annual report, which has been referred to in the group management report

The following company information outside the annual report is referred to in the management report:

www.wackerneuson.com/zeroemission,

wackerneusongroup.com/en/the-group/compliance,

wackerneusongroup.com/en/investor-relations and

wackerneusongroup.com/en/.

Technical Glossary

C

Compact equipment
Group's strategic business segment. Compact equipment covers machinery weighing up to 15 tons, particularly wheel loaders and telescopic wheel loaders, skid steer loaders, four-wheel and track dumpers, telescopic handlers as well as mobile and compact excavators.

Compaction
Group's business field in the light equipment segment. Equipment in this field is used for compacting soil and asphalt during the construction of trenches, roads, paths, foundations and industrial buildings. It includes products such as rammers, vibratory plates and rollers.

Concrete technology
Group's business field in the light equipment segment. This equipment is used to compact concrete when laying concrete walls, ceilings and floors and includes internal and external vibrators, as well as trowels for smoothing concrete floors.

D

dual power
This dual drive system for compact excavators enables conventional diesel-powered excavators to be operated emission-free simply by connecting an external electro-hydraulic unit to the excavator's undercarriage.

Dumpers
Track- or wheel-based machines in the compact equipment segment primarily used for transporting backfill material.

H

Heavy equipment
Large construction machinery defined by the company as having a total weight of over fifteen tons, typically transported to construction sites for specific projects and operated by specially trained users.

Hoftrac®
Compact wheel loaders made primarily for stable/barn and yard work in the agricultural sector. Their compact footprint makes them highly maneuverable and ideal for indoor work. Hoftrac® loaders are significantly narrower and more compact than conventional wheel loaders and have a smaller turning radius.

Hydronic heaters
Mobile heating equipment to thaw frozen ground, heat buildings and cure concrete at sub-zero conditions, making construction work less dependent on weather conditions (for example in regions with long winters such as Canada, Alaska, Russia and Scandinavia).

I

Internal vibrators
Used for concrete compaction, mainly on construction sites. These vibrators comprise eccentric weights driven by an electrical motor, which are encased in a water-tight steel tube so that they can be submerged in fresh concrete.

L

Light equipment
Group's strategic business segment. It covers predominantly handheld, remote control or ride-on equipment weighing up to 3 tons in the strategic business fields of concrete technology, compaction and worksite technology.

R

Rammers
First developed in the 1930s, this pioneering product is used in soil and asphalt compaction, particularly in small spaces and narrow trenches.

S

Skid steer loader
Small loaders with four-wheel-drive steering or rubber tracks. They offer excellent maneuverability thanks to their skid steering system. They can also be equipped with a wide range of attachments, making them a flexible option for a wide range of jobs.

T

Telescopic wheel loaders
Telescopic wheel loaders feature a telescopic arm, which gives them a greater range or lifting height. Operators are seated in a central position with a clear view of their surroundings. The telescopic boom is positioned directly in front of the cabin.

Telescopic handlers
Like wheel loaders, these compact machines are ideal for the construction and agricultural sectors. Telescopic handlers, however, feature a detached cabin and support very high lifting heights despite their compact dimensions as the telescopic arm is fitted to the tail, enabling a strong lever effect.

Trowels
Trowels are used to smooth concrete surfaces, in particular freshly poured concrete, for example, in industrial buildings.

V

Vibratory plate
Soil and asphalt compaction devices, mainly used to pre-compact foundation soil and compact paving stones. They travel forwards and backwards, and can also be equipped with remote control technology.

W

Wheel loaders
Articulated and all-wheel-drive wheel loaders are extremely versatile machines. Thanks to a broad range of attachments and technologies, they are the perfect choice for a host of jobs, including transporting and stacking material.

Worksite technology
Group's business field in the light equipment segment. Covers equipment to support work on a construction site such as generators and light towers, as well as equipment used to break or cut asphalt and concrete, cut-off and floor saws, and breakers.

Z

zero emission
A range of electrically powered light and compact equipment ideal in particular for use on indoor construction sites and in areas sensitive to noise and emissions – such as residential zones, schools or hospitals. The zero emission products are particularly effective at protecting both users and the environment.

Zero-tail excavators
The tail of these excavators does not protrude over the tracks during rotation of the superstructure (360°). Zero-tail excavators can be used directly beside house and garden walls as they will not cause any damage when rotating.

Financial glossary

C

Capital employed
Capital employed represents the interest-bearing capital tied up in and required by the Group to function.

Cash flow
Refers to a company's ability to finance itself, calculated by the excess of cash revenues over cash outlays in a given period of time (not including non-cash expenses/income).

Cash flow from financing activities
Cash balance resulting from changes to financial liabilities, the issue of shares, cash inflow from disposal of treasury shares / cash outflow from the acquisition of treasury shares and dividend payments.

Cash flow from investment activities
Cash balance resulting from the acquisition of financial, tangible or intangible assets and the disposal of financial, tangible or intangible assets.

Cash flow from operating activities
Cash flow generated from operating activities.

D

Deferred taxes
Differences between the tax base and the carrying amounts in the IFRS accounts in order to disclose tax expense and tax entitlement (actual and deferred) according to IFRS.

Depreciation/amortization
Scheduled or one-off write-downs indicating the impairment of an asset.

Discounted cash flow (DCF) method
Valuation method used to estimate the market value by discounting a company's future cash flows to their present value.

E

Earnings per share (EPS)
EPS is defined as Group net profit for the year divided by the number of shares.

EBIT (margin)
The earnings (profit) before interest and taxes. The EBIT margin is the ratio of EBIT to revenue.

EBT
Earnings (profit) before taxes.

Equity ratio
Ratio of equity before minority interests to total capital; indicates the financial stability of a company.

F

Free cash flow
Free cash flow refers to the amount of cash readily available to a company. The free cash flow is the result of the cash flow from operating activities plus the cash flow from investment activities.

G

Gearing
Net financial debt as a percentage of equity.

Goodwill
When a company purchases another company for a price that is higher than the fair value (book value) of all assets and liabilities, the difference is recorded as goodwill.

Gross profit margin
Gross profit margin is a measure of operational efficiency, expressing the relationship between gross profit and sales revenue or the percentage by which sales exceed cost of sales.

H

Hedge
Provides protection against risks arising from unfavorable exchange rate fluctuations and changes to raw material and other prices.

I

IFRS (IAS)
Internationally recognized and applied accounting standards devised by the International Accounting Standards Board (IASB) in an effort to harmonize accounting standards and principles worldwide.

Impairment test
Intangible assets are subject to an annual impairment test. This involves comparing the book value with the fair value less cost to sell. The fair value less cost 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 cost to sell is lower than the book value.

K

Key Performance Indicator (KPI)
KPIs are used to define company targets and measure the extent to which a company is achieving its goals.

N

Net financial debt
The net financial debt level is calculated by adding long-term borrowings, short-term borrowings from banks and the current portion of long-term borrowings together and subtracting cash and cash equivalents.

Net working capital
Net working capital = total inventory plus trade receivables minus trade payables.

Net working capital to revenue (net working capital ratio)
(Average) net working capital to revenue = relationship between (average) net working capital and revenue. The average is calculated by adding the opening and closing balances, and dividing this figure by two.

NOPLAT
Net operating profit less adjusted taxes (NOPLAT) refers to earnings before interest and taxes (EBIT) minus adjusted taxes. NOPLAT shows the annual profit a company would achieve if it were financed purely from equity.
NOPLAT = EBIT less (EBIT x corporate tax ratio)

P

Peer group
Companies active in the same or similar branch or industry.

R

Return on sales (ROS)
The ratio between profit for the period after minority interests and revenue.

ROCE I (Return on Capital Employed)
ROCE I shows how much return a company realizes on the capital it invests before tax. It is used to measure the long-term operational profitability on total capital employed. ROCE indicates the return a company realizes on the capital it invests.
ROCE I = EBIT ratio in relation to (average) capital employed as a %

The average is calculated by adding the opening and closing balances, and dividing this figure by two.

ROCE II (Return on Capital Employed)
ROCE II shows how much return a company realizes on the capital it invests after tax.
ROCE II = NOPLAT in relation to (average) capital employed as a %

The average is calculated by adding the opening and closing balances, and dividing this figure by two.

10-Year Comparison

IN € MILLION

	2020	2019	2018	2017	2016	2015
Revenue[1]	1,615.5	1,901.1	1,710.0	1,533.9	1,361.4	1,375.3
Revenue Europe	1,289.7	1,379.0	1,248.9	1,129.8	1,020.7	979.3
Revenue Americas	270.4	459.5	401.3	357.5	291.9	348.5
Revenue Asia-Pacific	55.4	62.6	59.8	46.6	48.9	47.5
EBITDA	204.6	257.4	239.4	207.2	158.1	170.1
Depreciation and amortization[2]	88.3	63.3	40.5	43.2	40.7	38.8
EBIT[1,3]	75.5	153.1	162.3	131.4	88.8	102.4
EBT[4]	53.8	137.5	203.0	125.4	81.4	97.5
Net profit[4]	14.1	88.5	144.6	87.5	57.2	66.7
Number of employees[5]	5,554	6,056	6,190	5,546	5,181	5,005
R&D ratio (incl. capitalized expenses) as a %	4.0	3.3	3.2	3.2	3.5	3.2
Share						
Earnings per share in €[4]	0.20	1.26	2.06	1.25	0.81	0.94
Dividend per share in €[6]	0.60	–	1.10	0.60	0.50	0.50
Book value at Dec. 31 in €	17.37	17.47	17.41	15.88	15.50	15.17
Closing price at Dec. 31 in €	17.51	17.05	16.52	30.08	15.42	14.23
Market capitalization at Dec. 31	1,228.2	1,195.9	1,158.7	2,109.5	1,081.6	998.1
Key profit figures						
Gross profit margin as a %	24.8	25.0	26.8	28.5	27.6	28.0
EBITDA margin as a %	12.7	13.5	14.0	13.5	11.6	12.4
EBIT margin as a %	4.7	8.1	9.5	8.6	6.5	7.4
EBT margin as a %	3.3	7.2	11.9	8.2	6.0	7.1
Net return on sales (ROS) as a %[4]	0.9	4.7	8.5	5.7	4.2	4.8
Key figures from the balance sheet						
Balance sheet total	2,126.8	2,196.6	1,914.2	1,621.7	1,580.8	1,552.2
Equity	1,218.1	1,225.0	1,221.4	1,113.7	1,092.5	1,069.1
Equity ratio as a %	57.3	55.8	63.8	68.7	69.1	68.9
Net financial debt	137.9	439.0	204.7	149.7	205.8	199.1
Net financial debt/EBITDA	0.7	1.7	0.9	0.7	1.3	1.2
Gearing as a %	11.3	35.8	16.8	13.4	18.8	18.6
Net working capital[7]	497.5	761.9	643.9	535.8	569.3	574.5
Net working capital as a % of revenue[7]	30.8	40.1	37.7	34.9	41.8	41.8
Capital Employed	1,396.7	1,699.2	1,416.2	1,302.5	1,355.6	1,330.5
ROCE I as a % (EBIT/Capital Employed)[8]	5.4	9.0	11.5	10.1	6.6	7.7
ROCE II as a % (NOPLAT/Capital Employed)[8]	1.4	5.8	8.2	7.0	4.6	5.3
Cash flow						
Cash flow from operating activities	405.0	-20.9	-15.5	138.0	79.4	78.5
Cash flow from investment activities	-76.0	-94.8	15.2	-39.0	-44.0	-54.8
Investments[2]	86.9	89.2	73.3	47.4	48.5	60.0
Free cash flow	329.0	-115.7	-0.3	99.0	35.4	23.7

[1] In 2019, there has been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. FY 2018 was adjusted accordingly.
[2] Based on property, plant and equipment and intangible assets, the Group's own rental equipment is not included here. Values since 2013 have been adjusted accordingly. With the year 2019, depreciation and amortization also
[3] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017. Formerly reported under
[4] 2018: includes a one-off profit of EUR 45.8 million after tax (EUR 54.8 million before tax) from the sale of a real-estate company belonging to the Group.
[5] Since 2012 incl. temporary workers.
[6] At the AGM on May 26, 2021, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.60 per share for fiscal 2020.
[7] As a result of a correction in connection with the reporting of non-current receivables, the balance sheet for 2019 was adjusted retrospectively.
[8] The definition of capital employed was changed as of FY 2017. Values since 2013 have been adjusted accordingly.

2014	2013	2012	2011
1,284.3	1,159.5	1,091.7	991.6
921.7	826.2	776.4	723.9
323.7	297.2	276.2	231.0
38.9	36.1	39.1	36.7
190.5	153.4	141.7	162.6
34.2	34.2	56.8	38.8
130.4	94.7	84.9	123.8
130.1	88.0	77.8	120.3
92.1	61.5	54.7	86.4
4,990	4,438	4,342	3,514
3.2	3.1	3.1	3.1
1.30	0.87	0.77	1.22
0.50	0.40	0.30	0.50
14.42	13.34	13.04	12.84
16.96	11.49	10.35	9.55
1,189.2	805.6	725.9	669.8
29.7	30.4	30.4	32.6
14.8	13.2	13.0	16.4
10.2	8.2	7.8	12.5
10.1	7.6	7.1	12.1
7.2	5.3	5.0	8.7
1,447.6	1,322.4	1,344.8	1,214.3
1,016.2	939.3	918.2	904.0
70.2	71.0	68.3	74.4
179.5	177.2	214.2	90.4
0.9	1.2	1.5	0.6
17.7	18.9	23.3	10.0
532.1	453.1	456.8	370.5
41.4	39.1	41.8	37.4
1,249.2	1,165.7	n.a.	n.a.
10.4	8.1	n.a.	n.a.
7.4	5.7	n.a.	n.a.
63.5	85.4	13.6	43.6
-36.0	-23.8	-99.9	-105.5
41.0	34.7	104.0	114.0
27.5	61.6	-86.3	-61.9

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cost of sales and other income/expenses. Values as of 2014 adjusted accordingly.

Publishing Details/Financial Calendar

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Financial Calendar

March 25, 2021	Publication of Annual Report 2020
May 10, 2021	Publication of Q1 report 2021
May 26, 2021	Virtual Annual General Meeting, Munich
August 9, 2021	Publication of half-year report 2021
November 10, 2021	Publication of Q3 report 2021

Disclaimer

This report contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of Wacker Neuson SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside the Company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. The Company neither plans nor undertakes to update any forward-looking statements.

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