Wacker Neuson Group

H1/2022
Half-year report

Figures at a glance

APRIL 1 THROUGH JUNE 30 AND JANUARY 1 THROUGH JUNE 30

IN € MILLION	Q2/22	Q2/21	Δ	H1/2022	H1/2021	Δ
Key figures						
Revenue	550.9	494.3	12%	1,072.5	928.3	16%
by region						
Europe	414.7	387.9	7%	826.3	737.1	12%
Americas	112.0	90.1	24%	202.8	158.4	28%
Asia-Pacific	24.2	16.3	48%	43.4	32.8	32%
by business segment[1]						
Light equipment	132.9	106.0	25%	242.9	200.9	21%
Compact equipment	313.1	288.3	9%	618.8	529.9	17%
Services	108.5	103.1	5%	216.9	202.5	7%
EBITDA	77.5	88.9	-13%	145.3	159.8	-9%
Depreciation and amortization	29.1	32.4	-10%	57.8	59.7	-3%
EBIT	48.4	56.5	-14%	87.5	100.1	-13%
EBT	51.1	53.3	-4%	90.2	97.0	-7%
Profit for the period	37.5	40.9	-8%	66.1	70.0	-6%
R&D ratio (incl. capitalized expenses) as a %	3.5	3.7	-0.2PP	3.6	4.1	-0.5PP
Share						
Earnings per share in €	0.55	0.59	-7%	0.97	1.00	-3%
Dividends per share in €[2]	0.90	0.60	50%	0.90	0.60	50%
Key profit figures						
Gross profit margin as a %	23.7	26.8	-3.1PP	23.4	27.0	-3.6PP
EBITDA margin as a %	14.1	18.0	-3.9PP	13.5	17.2	-3.7PP
EBIT margin as a %	8.8	11.4	-2.6PP	8.2	10.8	-2.6PP
EBT margin as a %	9.3	10.8	-1.5PP	8.4	10.4	-2.0PP
Cash flow						
Cash flow from operating activities	-11.6	131.8	–	-65.7	155.3	–
Cash flow from investment activities[2]	56.2	-8.1	–	71.9	-121.8	–
Investments (property, plant and equipment, intangible assets)	24.2	19.2	26%	40.8	34.5	18%
Free cash flow[3]	44.6	123.7	-64%	6.2	33.5	-81%
Cash flow from financing activities	-85.0	-69.6	22%	-237.0	-79.3	199%

	Jun. 30, 2022	Dec. 31, 2021	Δ	Jun. 30, 2022	Jun. 30, 2021	Δ
Key figures from the balance sheet						
Equity	1,318.5	1,286.2	3%	1,318.5	1,239.5	6%
Equity ratio as a %	59.3	55.4	3.9PP	59.3	55.5	3.8PP
Net financial debt	211.1	-0.8	–	211.1	79.4	166%
Gearing as a %	16.0	-0.1	–	16.0	6.4	9.6PP
Net working capital	673.9	497.6	35%	673.9	528.9	27%
Net working capital as a % of annualized revenue for the quarter	30.6	26.1	4.5PP	30.6	26.7	3.9PP
Number of employees[4]	6,329	5,992	6%	6,329	5,733	10%

1 Consolidated revenue before cash discounts.

2 Includes fixed-term financial investments in the amount of EUR 100.0 million in H1/21 and cash inflow from financial investments in the amount of EUR 130.0 million in H1/22, therof EUR 100.0 million in Q2/22.
3 Before outflows from fixed-term investments amounting to EUR 100.0 million in Q1/21 as well as inflows of EUR 30.0 million in Q1/22 and EUR 100.0 million in Q2/22.
4 Including temporary workers. The employee figures as of June 30, 2022 include the total of 139 employees of the Spanish Enar Group.

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.

Contents

Accounting methods, key indicators and financial terms are defined in the annual report 2021 on page 148ff. Due to differences attributable to rounding, some of the individual values indicated may not add up precisely to the given total. Similarly, due to the summation of percentages, they may not add up precisely to 100.0%. This may result in slight discrepancies relative to the values provided in the Selected Explanatory Notes.

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

Dr. Karl Tragl
Chairman of the Executive Board
Chief Executive Officer (CEO)

Christoph Burkhard
Chief Financial Officer (CFO)

Alexander Greschner
Chief Sales Officer (CSO)

Dear Ladies and Gentlemen,

Our growth trajectory took a marked downturn in fiscal 2020 as a result of the coronavirus pandemic. Following a period of rapid catch-up in 2021, we are now again looking back at a first half-year characterized by strong growth with a clear uptick of around 16 percent in the first six months and 12 percent in the second quarter. We can also report ongoing strong demand for our innovative and reliable products. Order intake was already at a very high level in the first quarter and this positive momentum accelerated even further in the second quarter. We thus have an order backlog extending well beyond the current fiscal year.

Our positive business development is, however, overshadowed by geo-political developments that threaten economic stability. After navigating a difficult yet successful year in 2021, we had hoped for an easing of the extremely challenging supply chain situation in 2022. Instead, Russia’s war on Ukraine not only accentuated existing tensions, but has also jeopardized the security of energy supplies in Europe. The consequences are clearly reflected in our profitability figures. We have not been able to fully offset the continued high prices for materials and shipping or the soaring energy costs through price increases, as these can only be implemented with a time lag. At the same time, material bottlenecks have prevented us from finishing our products or have necessitated multiple rework loops, which has impacted productivity in our factories. As a result, we recorded a 13 percent decrease in our earnings before interest and taxes. Our EBIT margin fell by 2.6 percentage points to 8.2 percent.

Over the past two years, we have become accustomed to tackling considerable challenges, finding creative solutions and managing – time and again – to make the best out of difficult situations. And we still have a long journey ahead of us! Our employees have delivered extraordinary results for the third year in a row and have more than earned their summer break. Our production facilities have already entered the vacation period and many of our sales, service and office employees will also soon be enjoying time off. I would therefore like to take this opportunity to thank the entire team for their tremendous work and hope all our employees and their families enjoy their summer holidays!

We are already looking forward to the fall, which will once again mark an important event: the world's largest construction equipment trade show, Bauma. After weathering the pandemic-related restrictions over the past two years, we cannot wait to meet and greet our customers in person again and present them with a unique brand experience. Under the slogan "Meet the Future!", this year's event will focus on the future trends of electrification, digitalization and innovation. At our Meet the Future arena, we will not only be staging our ever-popular demo show, but also presenting our new zero emission and digitalization developments. Our visitors will also be able to experience firsthand how the Wacker Neuson Group brands have continually re-invented themselves over the Group's impressive history stretching back over almost 175 years. And how that is not about to change – as innovation always has and will be hard-wired into our DNA.

We would like to thank our shareholders and business partners for their trust in us and would love to see you at Bauma in October.

Best regards,

The Executive Board team of Wacker Neuson SE

Interim Group Management Report for H1 2022

Market and environment

Trends in the global economy

After enduring more than two years of the pandemic, the global economy continues to suffer from a series of destabilizing shocks. According to the World Bank, global economic activity is set for a major slowdown in 2022 due to the impact of the war in Ukraine. The war has further accentuated COVID-19-related challenges facing companies, with higher prices for commodities accompanied by soaring energy and shipping costs. The increasingly strained supply chain situation is causing more and more production stoppages due to shortages of components. At the same time, increasing inflationary pressure, growing levels of debt and political uncertainties are all contributing to a deterioration of the risk situation.[1]

The International Monetary Fund (IMF) has given a global growth estimate of 3.6 percent for 2022, with the assumption that industrial countries will see slightly below-average performance at 3.3 percent. Following moderate growth in 2021, the IMF again predicts a comparatively low rate of growth for Germany at 2.1 percent. This assessment is based on the dominance of the manufacturing sector and the country's higher dependency on Russian energy imports. For the US economy meanwhile, economists predict that growth will reach 3.7 percent. Growth is being stalled here by the continued disruption to supply chains, although the USA benefits from limited trade and financial linkages to Russia. For the emerging market and developing economies, the IMF is predicting growth of 3.8 percent, with Saudi Arabia and India being the largest drivers of this positive momentum.[2] According to the World Bank, the global economy and advanced economies are set to record much slower growth in 2022, at 2.9 percent and 2.6 percent respectively. A downgrade to 3.4 percent was made for emerging market and developing economies due to negative spillover effects from the Ukraine war, more than offsetting a temporary upturn for raw material exporting nations.[3]

The World Bank and the IMF are both of the view that the pace of growth in 2023 will again remain slack due to the likelihood of a continuation of the prevailing uncertainties, in particular the high commodity prices and the continued tightening of monetary policy.[4] In order to reduce the risk of "stagflation", the World Bank is calling for immediate targeted and effective measures in five key areas, including a faster transition to low-carbon energy sources. National policy makers are expected to introduce climate-friendly general legal frameworks and incentives to reduce the dependency on fossil fuels.

Trends in the construction equipment sector

According to the latest available data from the German Engineering Federation (VDMA),[5] the global construction equipment market was very heterogeneous in the first quarter of 2022. Overall, global sales of construction equipment declined by 14 percent, driven in particular by the collapse in China as the world's largest construction equipment market, where sales fell by 51 percent. The Europe and North America markets – which are key for Wacker Neuson – managed on the other hand to record increases of 6 and 13 percent respectively. In Germany, sales fell by 5 percent relative to the previous year's figure in the first quarter of 2022. As for the emerging markets, South America recorded above-average growth for the second successive year with an increase of 45 percent. The Middle East (+33 percent) and Africa (+21 percent) also developed very positively. In contrast, the Indian market experienced a sharp downturn of 30 percent.

Whereas the European construction equipment sector was still optimistic about the future in February 2022, Russia's attack on Ukraine towards the end of the month cast a shadow over the business climate and this effect persisted into the second quarter. Against the background of increased sales in the European market and a positive order intake with stable demand from all end user segments, the majority of European industry representatives were still positive about their current business situation at the end of the second quarter. Order intake from the European markets was at a similar level to that from international markets, with developments within Europe looking particularly promising in Germany, Italy, the UK and Scandinavia. At the same time, there was a less positive assessment of future prospects because of the ongoing supply chain problems and supply bottlenecks as well as the onset of a slowdown in the positive order intake momentum.[6]

The three largest European markets of Germany, France and the UK, which together account for almost half of total European demand, experienced below-average performance in the first quarter. Conversely, the other markets, with the exception of the Benelux countries, enjoyed high growth rates according to data from the Committee for European Construction Equipment (CECE).[7] The best performance was achieved in Spain and Italy, as well as the East European countries, with over 20 percent growth respectively. The overall growth rate of 4 percent was described by the CECE as a remarkable outcome in view of the high baseline from the previous year and the extremely uncertain climate with serious disruptions to supply chains and a war on European soil resulting in considerable economic risks. However, there are already signs of a slowdown in the pace of growth and saturation in certain markets.

[1] Source: World Bank, June 2022, Global Economic Prospects
[2] Source: IMF, April 2022, World Economic Outlook
[3] Source: World Bank, June 2022, Global Economic Prospects
[4] Sources: World Bank, June 2022, Global Economic Prospects; IMF, April 2022, World Economic Outlook
[5] Source: VDMA, June 2022, Economic Situation, Construction Equipment and Building Material Machinery, Frankfurt
[6] Source: Committee For European Construction Equipment, Business Barometer June 2022, Brussels
[7] Source: Committee For European Construction Equipment, May 2022, Quarterly Economic Bulletin, Brussels

Trends in the agricultural technology sector
The business barometer published by the European umbrella association for the agricultural machinery industry (CEMA)[1] had peaked in the second half of 2021 as the post-pandemic recovery was stifled by enormous price increases and supply bottlenecks. In March 2022, the mood among agricultural equipment manufacturers became markedly more subdued on account of the exacerbated supply chain situation as a result of the Russia-Ukraine war. The index still remained on the plus side, however. After that, it went into a moderate yet steady decline up to the end of the second quarter. Despite a deterioration in the current business performance, in June the European agricultural equipment manufacturers expected growth for fiscal 2022 to remain unchanged at 5 percent, whereby the expectations for the coming six months started to trend upwards slightly for the first time since the start of the year. The greatest challenges mentioned by the industry representatives remained price increases and material bottlenecks, although there were signs of a recovery here for the first time. The order book in the sector is high according to the industry representatives, although there has been a noticeable downward trend in order intake.

Latest developments from the first half of the year

2022 Annual General Meeting
The Annual General Meeting (AGM) of Wacker Neuson SE took place on June 3, 2022. Due to the ongoing uncertainty surrounding the COVID-19 pandemic, the meeting was held virtually for the third consecutive year without shareholders or their proxy holders being physically present (with the exception of the proxies appointed by the company).

In total, votes were cast for approximately 82 percent of the share capital. The dividend payout proposed by the Executive Board and Supervisory Board in the amount of EUR 0.90 per eligible share for the past fiscal year was approved by shareholders.

The shareholders also formally approved the actions of the Executive Board and Supervisory Board and further approved the remuneration report for fiscal 2021. The audit, tax and advisory firm Mazars GmbH & Co. KG, Munich, was appointed as the new auditor to review the Annual and Consolidated Financial Statements for fiscal 2022.

Acquisition of Enarco S.A.
In a deal closed on June 1, 2022, the Wacker Neuson Group acquired 100% of the shares in Enarco S.A. Headquartered in Zaragoza, Spain, it is the parent company of a total of eleven subsidiaries that make up the Enar Group. Enar is a manufacturer of light construction equipment, specialized in concrete compaction. Alongside internal vibrators for concrete, the company's product portfolio also covers vibratory plates, rammers and walk-behind rollers for soil and asphalt compaction. The acquisition of the Enar Group will help to further strengthen the Wacker Neuson Group's market position and extend its international reach, particularly in the field of concrete technology.

For further information on the acquisition of Enarco S.A., refer to the Notes to this interim report. → page 26

Cooperation with John Deere in the mini and compact excavators segment
In June, the Wacker Neuson Group and John Deere Construction & Forestry Company, a subsidiary of Deere & Company, USA, a global leader in the manufacturing of agricultural, forestry and construction equipment, reached an agreement for mini and compact excavators. The agreement will allow the Group to substantially accelerate its profitable growth trajectory in the medium term. The Wacker Neuson Group plans to invest an amount in the low double-digit million euro range to expand production capacity accordingly.

The long-term exclusive OEM supply agreement covers mini and compact excavators weighing less than 5 metric tons and also includes battery electric excavators. Wacker Neuson will design and manufacture the machines at its facilities in Menomonee Falls, USA, as well as at Linz, Austria, mainly for the North American market in accordance with John Deere specifications. The excavators will be distributed under the John Deere brand via John Deere's global dealer network. The companies plan a phased introduction of models. All Wacker Neuson models in the same product range will continue to be distributed under the Wacker Neuson brand through Wacker Neuson's own distribution network.

The agreement also covers a technical collaboration between John Deere and Wacker Neuson in relation to 5-9 metric ton excavators. John Deere will purchase and incorporate design and technical IP provided by Wacker Neuson, adapting and evolving it to meet its own manufacturing and innovation requirements. These models will be produced and launched on the market exclusively by John Deere, while Wacker Neuson will independently continue to develop, produce and distribute its own 5-9 metric ton excavators under its own brand.

Shareholding in Sequello GmbH
Optimized process management and smart construction logistics workflows increase construction productivity. The SEQUELLO construction logistics platform digitalizes and simplifies processes along the entire value chain that were previously paper-based. In the first half of the year, Wacker Neuson joined PORR Equipment Services GmbH and Umdasch Group Ventures GmbH as an equal third partner in this joint venture, bringing insights and expertise from the manufacture, sale and rental of light and compact equipment. The objective is to simplify everyday construction site workflows for customers and suppliers, boost efficiency, and develop Sequello into an industry-wide solution.

Product highlights
"Zero emission" is framed by Strategy 2022 and also hardwired into the Group's technology roadmap for the coming years. Wacker Neuson is one of the first manufacturers worldwide to offer a broad portfolio of electrically powered light and compact equipment. The product portfolio includes battery-powered rammers and vibratory plates for soil compaction, an internal vibrator backpack system for concrete compaction, track and wheel dumpers, mini excavators, and wheel loaders for the construction and agricultural industries. In the first half of 2022, the company continued to develop its existing portfolio and incorporate new solutions into its offering. In the soil compaction segment, Wacker Neuson had already launched three new single-direction vibratory plates with an electric drive and three with a conventional drive as part of the APS and BPS ranges in 2021. This range was expanded in 2022 to include two further battery-powered plates and two matching gasoline-powered models as well as a diesel-powered model. With this offering, Wacker Neuson gives customers the

[1] Source: CEMA, Business Barometer June 2021, January, February, March, April, May, June 2022

freedom to choose the drive system they want with the right machine for every challenge in the field of light-duty compaction.

In the wheel dumpers for material transport segment, Wacker Neuson has optimized the safety, performance and comfort of its DW50 model. New features like the hill hold function and the standard auto-stop function reduce operating costs for customers, lengthen maintenance intervals, and increase the resale value of the machine. The hill hold function prevents the machine from rolling back while the auto-stop function shuts the machine off automatically if it has not been used for a predefined period of time.

The cloud-based EquipCare Pro software solution, which was introduced during the first half of the year, helps Wacker Neuson customers to significantly increase fleet productivity. This new platform enables vendor- and brand-agnostic management, scheduling and analysis of all machines, equipment and bulk materials.

The Group brand Kramer added two models to its telescopic handler product portfolio during the first half of 2022. This brings the telehandler portfolio for the construction industry to 12 models with lifting heights from 4.30 to 9.50 meters and with payloads from 1.45 to 5.5 tons.

In addition to this, the agricultural telescopic handler portfolio was expanded by two new models – KT144 and KT3610 – bringing the total to 13 models. With a height of under two meters and an approximate width of 1.6 meters, the compact KT144 is the smallest model in the portfolio. The KT3610 has a 3-piece boom to deliver a high lifting height and range with compact dimensions.

The Weidemann brand, which specializes in the agriculture and equestrian sectors, received the iF Design Award in the “Product” category in May 2022 for its 7-meter telescopic handler. Customers benefit from the advanced efficiency of these machines as well as the individual configuration flexibility for motors, drives, hydraulics and tires.

In addition, the new electric Hoftrac 1190e, which is set to be launched in the second half of 2022, was awarded the Equitana Innovation Prize in the “Vehicles and Trailers” category. Thanks to improved battery and charging technology as well as several other new functions, customers can benefit from greater comfort and safety in emissions-free operation. The machine was also recognized by the French Sommet d’Or innovation award for agricultural equipment.

Profit

Revenue trends
In the first half of 2022, business developed positively for the Wacker Neuson Group, buoyed by strong demand in the construction and agricultural sectors. Revenue rose 15.5 percent to a new record high of EUR 1,072.5 million in the first six months (H1/2021: EUR 928.3 million). The increase amounted to 13.2 percent adjusted for currency effects. During the second quarter, the Group grew its revenue by 11.5 percent to EUR 550.9 million against a high baseline (Q2/2021: EUR 494.3 million). The figure for H1 2022 includes revenue contributed by the Enar Group for the month of June 2022 in the amount of EUR 2.8 million.

Compact equipment sold under the Kramer and Weidemann brands for the agricultural sector continued to perform well also in the first half of 2022. After already achieving growth of 13.9 percent here in the prior-year period, the Group was able to improve on this again in the first half of 2022 with a further 18.7-percent increase to EUR 207.4 million against the backdrop of a positive market environment (H1/2021: EUR 174.7 million).

The Group reported gains across all key product groups in the construction sector. Highlights include strong demand for wheel loaders as well as the continued success of the innovative dual view dumper, which made particularly strong gains in the UK in the first half of the year.

With its zero emission product line, Wacker Neuson offers a broad portfolio of electrically powered light and compact equipment. In the first half of the year, the Group recorded a low double-digit percentage increase in its zero emission range.

Demand for rental equipment also proved particularly dynamic, while the services segment also grew on the back of a strong service business and the profitable spare parts business.

Order intake continued to grow at a fast pace in the second quarter, independently of revenue development. A double-digit rise in order intake was recorded in all reporting regions in the first half of 2022 against the strong baseline for comparison from the previous year, with order volumes in North America developing particularly well. This can be attributed on the one hand to the positive mood of the market and increased demand due to the shortage of products available on the US market. In addition, Wacker Neuson on-boarded additional authorized dealers in North America in the first half of 2022 as part of its plan to diversify its sales strategy. Canada also recorded an above-average order intake against the backdrop of a strong residential market due to high net immigration and the recovery of commodity prices.

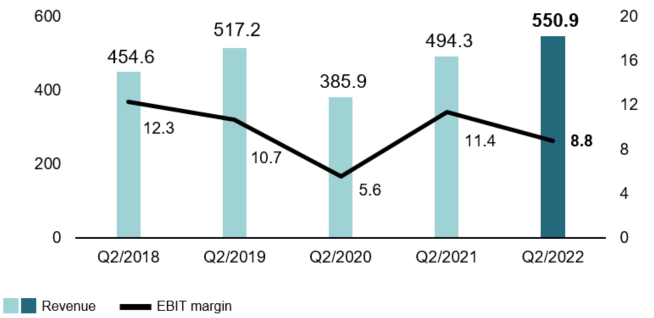
Profit developments
Cost of sales increased at a higher pace than revenue in the first half of 2022, rising 21.3 percent to EUR 821.9 million (H1/2021: EUR 677.5 million). Gross profit reached EUR 250.6 million (H1/2021: EUR 250.8 million). The gross profit margin amounted to 23.4 percent and was thus lower than the figure for the previous year (H1/2021: 27.0 percent). The gross profit margin for the second quarter was reported at 23.7 percent (Q2/2021: 26.8 percent).

The development of cost of sales was shaped by a sharp rise in volumes and the associated increase in production and logistics costs. At the same time, cost recovery at production plants was below target due to a lack of production output caused by material bottlenecks and soaring costs for commodities, components, energy and shipping. Rework activities and rehandling of machines were also required due to the above-mentioned material bottlenecks. The resulting additional effort also had a negative impact on productivity at the production plants.

Development of operating costs
While cost of sales is directly linked to sales volumes reported, operating costs follow a less variable trajectory. Total sales, general and administrative (SG&A) and research and development (R&D) expenses for the first half of the year grew by 8.2 percent to reach EUR 166.4 million (H1/2021: EUR 153.8 million). Their share of revenue improved to 15.5 percent (H1/2021: 16.6 percent).

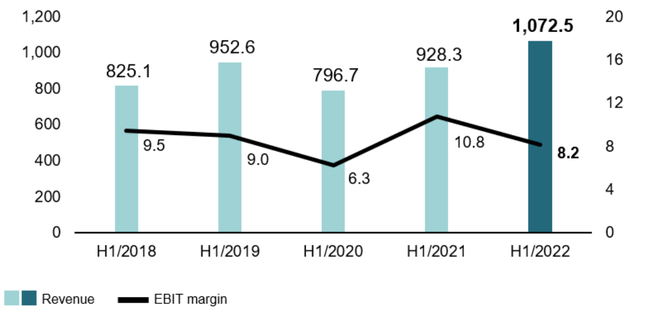
DEVELOPMENT OF REVENUE AND EBIT MARGIN
Q2 2018–2022

IN € MILLION AS A %



DEVELOPMENT OF REVENUE AND EBIT MARGIN
H1 2018–2022

IN € MILLION AS A %



Individual cost items developed as follows in the first half of 2022:

In the first six months of the year, sales and service expenses increased relative to the previous year by 11.2 percent to EUR 104.3 million (H1/2021: EUR 93.8 million). This was primarily attributable to an increase in personnel expenses as well as higher marketing, travel and logistics costs. Higher payments were also incurred for commissions due to the rise in revenue. In the previous year, a net positive effect from value adjustments in the amount of EUR 1.8 million had a positive effect on sales and service expenses. Their share of revenue improved to 9.7 percent (H1/2021: 10.1 percent).

Research and development costs amounted to EUR 24.5 million (H1/2021: EUR 24.0 million). Higher personnel costs in connection with the increase in R&D headcount reflecting the Group's strategic plan to secure its innovative lead as well as higher consulting costs had a negative impact on R&D expenses. This was offset, however, by lower write-downs on research and development projects. In the previous year, the research and development costs included write-downs on individual development projects in the amount of EUR 3.0 million. Capitalized expenses came to EUR 13.9 million (H1/2021: EUR 14.1 million). As a percentage of revenue, research and development costs (including capitalized R&D expenses) accounted for 3.6 percent and were thus below the prior-year level (H1/2021: 4.1 percent).

General administrative costs rose 4.4 percent due to higher personnel, consulting and building expenses, reaching EUR 37.6 million (H1/2021: EUR 36.0 million). Expressed as a relative share of revenue, administrative expenses nevertheless improved to 3.5 percent (H1/2021: 3.9 percent).

The balance from the items "Other income" and "Other expenses" amounted to EUR 3.3 million in the first half of the year and was thus slightly higher than the previous year (H1/2021: EUR 3.1 million).

In the total amount of EUR 57.8 million, write-downs in the first six months of the year were lower than in 2021 (H1/2021: EUR 59.7 million). Write-downs on property, plant and equipment and intangible assets totaled EUR 34.5 million in the first half of the year, and EUR 17.4 million in Q2 (H1/2021: EUR 39.6 million; Q2/2021: EUR 22.0 million). Write-downs on the Group's own rental equipment at EUR 23.3 million in the first half of the year and EUR 11.7 million in the second quarter were above the previous year's level (H1/2021: EUR 20.1 million; Q2/2021: EUR 10.4 million).

Development of EBIT, financial result and profit for the period

Earnings before interest and tax (EBIT) fell by 12.6 percent in the first half of the year to EUR 87.5 million (H1/2021: EUR 100.1 million). The EBIT margin amounted to 8.2 percent (H1/2021: 10.8 percent). EBIT for H1 2022 includes a contribution to earnings by the Enar Group for the month of June 2022 in the amount of EUR 0.1 million.

In general, the higher costs for commodities, components, energy and shipping had a negative impact on earnings. At the same time, productivity at the production plants was adversely impacted by machine rework efforts due to material bottlenecks. The higher sales volume and the disproportionately low increase in operating costs were not sufficient to offset this loss of productivity.

The price increases implemented in the first half of the year should, however, produce a tangibly positive effect on the Group's profitability from the third quarter.

EBIT for the second quarter of 2022 at EUR 48.4 million was thus lower than in the previous year (Q2/2021: EUR 56.5 million). The EBIT margin amounted to 8.8 percent, compared with 11.4 percent for the prior-year quarter.

The financial result for the period under review amounted to EUR 2.7 million (H1/2021: EUR -3.1 million). The financial result in the previous year was significantly affected by negative currency effects related to internal Group liabilities. Interest income included in the financial result amounted to EUR -4.8 million and was thus around the same level as the previous year (H1/2021: EUR -4.9 million).

Earnings before taxes (EBT) for the first half of the year amounted to EUR 90.2 million (H1/2021: EUR 97.0 million). EBT for the second quarter amounted to EUR 51.1 million, compared with EUR 53.3 million in the previous year.

Tax expenditure was reported at EUR 24.1 million in the first half of the year, and EUR 13.6 million in Q2 (H1/2021: EUR 27.0 million; Q2/2021 EUR 12.4 million). This corresponds tax rates of 26.7 and 26.6 percent (H1/2021: 27.8 percent; Q2/2021: 23.3 percent).

Profit for the first half of the year amounted to EUR 66.1 million (H1/2021: EUR 70.0 million). This corresponds to earnings per share based on 68,015,345 ordinary shares in H1/22[1] of EUR 0.97 (H1/2021: EUR 1.00 based on 69,826,300 ordinary shares). Profit for the second quarter of 2022 amounted to EUR 37.5 million (Q2/2021: EUR 40.9 million). Earnings per share – based on 68,015,345 ordinary shares in Q2/22 – amounted to EUR 0.55 (Q2/2021: EUR 0.59 based on 69,649,200 ordinary shares).

[1] Wacker Neuson SE completed a share buyback program in fiscal 2021. A total of 2,124,655 shares were bought back in the period from April to November 2021. This corresponds to 3.0 percent of the company's share capital.

Assets and financials

Net working capital
The Group's strategic goal is to reduce the net working capital ratio expressed as a percentage of revenue[1] to 30 percent or lower and maintain that level over time. Whereas the net working capital ratio had already reached the target corridor by the end of the prior-year period at 26.7 percent[2] and remained at this level up to December 31, 2021, it increased to 30.6 percent[2] at the close of the period under review. The absolute value for net working capital was EUR 673.9 million – a noteworthy 27.4 percent and 35.4 percent higher than the prior-year figure and year-start figures respectively (June 30, 2021: EUR 528.9 million; December 31, 2021: EUR 497.6 million). The individual components developed as follows:

Inventory levels of machines, raw materials and supplies increased by 24.2 percent in the first half of the year to EUR 608.6 million (December 31, 2021: EUR 490.2 million). The increase was even more significant compared to the figure for the previous year (June 30, 2021: EUR 427.4 million). Whereas only a slight increase was recorded for the number of finished machines, the stock of unfinished machines was much higher as a result of the deterioration in the supply chain situation due to the war in Ukraine. The stock of commodities and components was also significantly increased to ensure security of supply. Days inventory outstanding at the closing date amounted to 132 days (June 30, 2021: 108 days).[3]

Trade receivables increased as a result of the strong revenue growth in the first half of the year to EUR 321.5 million, (December 31, 2021: EUR 237.9 million; June 30, 2021: EUR 288.8 million). Days sales outstanding remained constant at 53 days (June 30, 2021: 53 days).[4]

Trade payables rose as a result of the increase in production volumes to EUR 256.2 million at the close of the first half of the year and were thus significantly higher than comparable values (December 31, 2021: EUR 230.5 million; June 30, 2021: EUR 187.3 million). Days payables outstanding thus increased from 47 days at the prior-year closing date to 56 days.[5]

Non-current assets
Total non-current assets amounted to EUR 918.2 million at the closing date and were thus higher than the prior-year values (December 31, 2021: EUR 887.5 million; June 30, 2021: EUR 908.2 million). This increase was primarily attributable to the development of property, plant and equipment (June 30, 2022: EUR 414.7 million; December 31, 2021: EUR 393.9 million; June 30, 2021: EUR 384.8 million) and intangible assets (June 30, 2022: EUR 207.2 million; December 31, 2021: EUR 188.6 million; June 30, 2021: EUR 184.1 million) in connection with the acquisition of the Enar Group. (Details can be found in the Notes → page 26). The increase in property, plant and equipment was also due to the new manufacturing hall and administrative building being constructed at the site in Serbia. Non-current financial assets moved in the opposite direction (June 30, 2022: EUR 20.2 million; December 31, 2021: EUR 19.0 million; June 30, 2021: EUR 53.9 million), impacted by the pre-term receipt of non-current receivables, in particular in the Americas region in the second half of 2021.

Current assets
Current assets amounted to EUR 1,306.0 million at the end of the first half of the year (December 31, 2021: EUR 1,433.3 million; June 30, 2021: EUR 1,325.8 million). The significant decrease since the start of the year was primarily attributable to outflows of liquid funds in connection with the repayment of promissory notes (Schuldschein) (cash and cash equivalents on June 30, 2022: EUR 72.1 million; December 31, 2021: EUR 305.5 million; June 30, 2021: EUR 238.8 million). In February 2022, a promissory note (Schuldschein) in euros in the amount of EUR 125.0 million was repaid at maturity, and in March 2022, a partial repayment in the amount of USD 40 million was made on a promissory note (Schuldschein) in US dollars before maturity. Inventory and trade receivables moved in the opposite direction (refer to Net working capital → page 9).

Non-current liabilities
Non-current liabilities amounted to EUR 368.0 million at June 30, 2022 and were thus significantly below the figure for the end of 2021 (December 31, 2021: EUR 466.7 million; June 30, 2021: EUR 462.7 million). This was attributable to the above-mentioned early partial repayment in the amount of USD 40 million made on a promissory note (Schuldschein) in US dollars before maturity and the reclassification of the remaining USD 52.5 million as current instead of non-current financial liabilities due to the maturity date in March 2023.

NET WORKING CAPITAL
IN € MILLION

	Jun. 30, 2022	Dec. 31, 2021	Changes	Jun. 30, 2021	Changes
Inventory	608.6	490.2	24%	427.4	42%
+ Trade receivables	321.5	237.9	35%	288.8	11%
- Trade payables	256.2	230.5	11%	187.3	37%
Net working capital	673.9	497.6	35%	528.9	27%
Net working capital / annualized quarterly revenue	**30.6%**	**26.1%**	**4.5PP**	**26.7%**	**3.9PP**

[1] During the year, this figure is based on annualized revenue for the preceding quarter.
[2] Respective figures based on annualized revenue for the preceding quarter.
[3] Days inventory outstanding = (inventory at the interim reporting date / annualized cost of sales for the preceding quarter) * 365 days.
[4] Days sales outstanding = (trade receivables at the interim reporting date / annualized revenue for the preceding quarter) * 365 days.
[5] Days payables outstanding = (trade payables at the interim reporting date / annualized cost of sales for the preceding quarter) * 365 days.

Current liabilities

Current liabilities decreased to EUR 537.7 million at the end of the period under review (December 31, 2021: EUR 567.9 million; June 30, 2021: EUR 531.8 million). The decrease is primarily attributable to the above-mentioned repayment of the promissory note (Schuldschein) in euros in the amount of EUR 125.0 million. Trade payables moved in the opposite direction (refer to Net working capital → page 9). Other current non-financial liabilities also increased relative to the close of 2021 (June 30, 2022: EUR 65.5 million; December 31, 2021: EUR 52.2 million). This was primarily attributable to a rise in accruals for accumulated holiday hours.

Balance sheet total and equity

At EUR 2,224.2 million, the balance sheet total at the close of the first half of the year was slightly below the figure at the interim reporting date in 2021 (June 30, 2021: EUR 2,234.0 million; December 31, 2021: EUR 2,320.8 million).

Group equity amounted to EUR 1,318.5 million at the end of the first half of the year (December 31, 2021: EUR 1,286.2 million; June 30, 2021: EUR 1,239.5 million). The equity ratio reached 59.3 percent (December 31, 2021: 55.4 percent; June 30, 2021: 55.5 percent). Shares in the amount of EUR 53 million, which were purchased within the framework of the 2021 share buyback program, were deducted from equity.

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.

Net financial debt

Net financial debt[1] increased significantly to EUR 211.1 million primarily as a result of the net working capital increase since the start of the year (December 31, 2021: EUR -0.8 million; June 30, 2021: EUR 79.4 million). Gearing[2] increased from -0.1 percent at the start of the year to 16.0 percent at the interim closing date (June 30, 2021: 6.4 percent).

Thanks to its continued healthy liquidity and financial position, the Group will continue to invest in important growth opportunities and actively shape technology trends in the industry. The Group's strong credit rating was again confirmed by the German Bundesbank, which approved the company's eligibility for credit.

NET FINANCIAL DEBT
IN € MILLION

	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Long-term financial borrowings	216.3	295.1	291.8
Short-term borrowings from banks	66.1	138.7	140.5
Current portion of long-term borrowings	0.8	0.9	0.9
Cash and cash equivalents	72.1	305.5	238.8
Fixed-term investments (< 1 year)	–	130.0	115.0
Total net financial position	**211.1**	**-0.8**	**79.4**
Gearing as a %	**16.0**	**-0.1**	**6.4**

Cash flow from operating activities

Gross cash flow (cash flow from operating activities before investments in net working capital) at EUR 122.3 million and EUR 62.4 million respectively remained well under the prior-year levels for the first half and the second quarter of 2022 (H1/2021: EUR 203.1 million; Q2/2021: EUR 141.2 million). This was primarily attributable to two one-off effects which had positively impacted gross cash flow in fiscal 2021. The first was the reduction in non-current financial assets resulting from the sale of non-current receivables in connection with the divestment of a minority shareholding in the US (proceeds in the amount of EUR 49.1 million). The second one-off effect was an increase in other current financial liabilities in the previous year. One of the underlying reasons for this was an asset-backed securities (ABS) program, where the Group acts as a loan servicer. There was no significant increase in the receivables that were transferred to the ABS program in the first half of 2022. (Details can be found in the Notes → page 29)

FINANCIAL POSITION
IN € MILLION

	Q2/2022	Q2/2021	H1/2022	H1/2021
Cash flow from operating activities	-11.6	131.8	-65.7	155.3
Cash flow from investment activities	56.2	-8.1	71.9	-121.8
Free cash flow	**44.6**	**123.7**	**6.2**	**33.5**
Cash flow from financial activities	-85.0	-69.6	-237.0	-79.3
Effect of exchange rates on cash and cash equivalents	-3.0	-1.3	-3.4	1.5
Change in consolidation group	0.8	–	0.8	–
Change in cash and cash equivalents	**-42.6**	**52.8**	**-233.4**	**-44.3**
Cash and cash equivalents at beginning of period	114.7	186.0	305.5	283.1
Cash and cash equivalents at end of period	**72.1**	**238.8**	**72.1**	**238.8**

[1] Net financial debt = long- and short-term borrowings + current portion of long-term borrowings – cash and cash equivalents – fixed term investments with terms of less than one year. The definition of net financial debt as applied by the Wacker Neuson Group does not include lease liabilities in accordance with IFRS 16.
[2] Gearing = net financial debt / equity.

After investments in net working capital, cash flow from operating activities in the first half of the year amounted to EUR -65.7 million and was thus considerably lower than the prior-year figure (H1/2021: EUR 155.3 million). The figure for the second quarter was EUR -11.6 million (Q2/2021: EUR 131.8 million). This was primarily attributable to increased inventory and a rise in trade receivables (refer to Net working capital → page 9).

Cash flow from investment activities
Cash flow from investment activities came to EUR 71.9 million in the first half of the year (H1/2021: EUR -121.8 million). The prior-year figure includes net investments in fixed-term investments in the total amount of EUR 100.0 million with terms of between three and twelve months. This was done to optimize the cash position. On the other hand, the figure for the first half of 2022 includes inflows from fixed-term investments in the amount of EUR 130.0 million. Discounting the effects from fixed-term investments, the cash flow from investment activities would have amounted to EUR -58.1 million (H1/2021: EUR -21.8 million). Cash flow from investment activities for the second quarter amounted to EUR 56.2 million (Q2/2021: EUR -8.1 million). This includes the acquisition of the Enar Group. The proceeds from the sale of a minority shareholding in the US were included in the cash flow from investment activities in the previous year.

In addition to investments to replace existing assets, the Group plans to expand its European production network in fiscal 2022. The Group made investments in the total amount of EUR 40.8 million in the first half of 2022, which is an 18.3-percent increase on the prior-year period (H1/2021: EUR 34.5 million). EUR 25.6 million of this was channeled into property, plant and equipment (H1/2021: EUR 15.9 million). Investments in intangible assets amounted to EUR 15.2 million and were likewise slightly lower than the previous year due to reduced capitalization of IT and development projects (H1/2021: EUR 18.6 million).

Free cash flow
Free cash flow (cash flow from operating activities less cash flow from investment activities) for the first half of the year amounted to EUR 6.2 million (H1/2021: EUR 33.5 million). Discounting the inflows from the above-mentioned fixed-term investments in the amount of EUR 130.0 million, free cash flow would have come to EUR -123.8 million. Free cash flow for the second quarter amounted to EUR 44.6 million (Q2/2021: EUR 123.7 million).

Cash flow from financing activities
Cash flow from financing activities for the first half of the year amounted to EUR -237.0 million (H1/2021: EUR -79.3 million) and it was significantly shaped by the above-mentioned repayment of the promissory notes (Schuldschein) (refer to Liabilities → page 9ff) and the dividend payout in the amount of EUR -61.2 million (H1/2021: EUR -41.7 million). The dividend payout proposed by the Executive Board and Supervisory Board of EUR 0.90 per eligible share for the past fiscal year was approved by the Annual General Meeting.

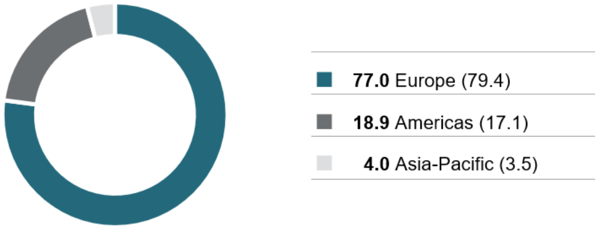
Segment reporting

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

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

REVENUE BY REGION H1/2022

AS A % (H1/2021)



Results for Europe (EMEA), the Americas and Asia-Pacific

Europe (EMEA)[1]

Europe is by far the most important market for the Wacker Neuson Group. 77.0 percent of revenue was realized here in the first half of the year 2022 (H1/2021: 79.4 percent). Revenue increased 12.1 percent to EUR 826.3 million relative to the previous year (H1/2021: EUR 737.1 million). In the second quarter of 2022, the Group posted revenue of EUR 414.7 million in Europe (Q2/2021: EUR 387.9 million) – an increase of 6.9 percent relative to the prior-year period. The figure for Q2 2022 includes revenue contributed by the Enar Group for the month of June 2022 in the amount of EUR 2.8 million.

Earnings before interest and tax (EBIT)[2] for the first half of the year amounted to EUR 81.6 million, which is a decrease of -17.4 percent relative to the previous year (H1/2021: EUR 98.8 million). The fall in earnings was mainly caused by the above-mentioned soaring costs for commodities, components, energy and shipping, which can only be passed on to customers after a certain time lag. At the same time, material bottlenecks and the resulting need for machine rework efforts had a negative impact on productivity at the production plants (refer to Profit → page 7).

Revenue growth was driven not only by the Group's home market of Germany, but also by the major European construction equipment markets of the UK and France, which also recorded double-digit growth rates. The innovative dual view dumper continued its successful course in the UK. In addition, the Eastern European countries and the majority of the countries in Northern Europe reported positive double-digit growth rates. Southern Europe, which had recorded high double- and triple-digit growth rates in all countries in the prior-year period as a result of catch-up effects following the coronavirus pandemic, presented a mixed picture in the first half of the year.

Compact equipment sold under the Kramer and Weidemann brands for the agricultural sector continued to perform well also in the first half of 2022. After already achieving growth of 13.9 percent here in the prior-year period, the Group was able to improve on this again in the first half of 2022 with a further 18.7-percent increase to EUR 207.4 million against the backdrop of a positive market environment (H1/2021: EUR 174.7 million). Alongside the generally high willingness to invest among landholders, market share gains in the three core markets of Germany, the UK and France contributed to this growth.

Americas

The Americas region recorded a sharp rise in revenue of 28.0 percent to EUR 202.8 million in the first half of the year (H1/2021: EUR 158.4 million). The region's share of total revenue thus increased to 18.9 percent (H1/2021: 17.1 percent). This revenue momentum was heavily accentuated by a weak euro relative to the US dollar. Adjusted for currency effects, revenue rose 16.8 percent.

Revenue increased by 24.3 percent in the second quarter to EUR 112.0 million (Q2/2021: EUR 90.1 million). Adjusted for currency effects, this corresponds to a rise of 11.5 percent.

There was positive demand across all sales channels in the North American market. Wacker Neuson authorized dealers as well as independent dealers and key accounts saw strong end-customer demand for both new and rental equipment. As part of its plan to diversify its sales strategy, Wacker Neuson on-boarded additional authorized dealers in North America in the first half of 2022. Once again, business in Canada developed very positively against the backdrop of a strong residential market.

REGIONAL DEVELOPMENTS IN REVENUE AND EBIT

IN € MILLION

	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	Europe		Americas		Asia-Pacific		Consolidation		Group	
H1										
Revenue	826.3	737.1	202.8	158.4	43.4	32.8			1,072.5	928.3
EBIT	81.6	98.8	6.0	7.3	3.7	2.2	-3.8	-8.2	87.5	100.1
Q2										
Revenue	414.7	387.9	112.0	90.1	24.2	16.3			550.9	494.3
EBIT	44.6	52.9	4.8	5.4	2.3	1.8	-3.3	-3.6	48.4	56.5

[1] Including Turkey, Russia, Africa and the Middle East. The Enar Group is fully included in the Europe segment.
[2] Before consolidation.

Earnings before interest and tax (EBIT)[1] for the first half of the year in the Americas amounted to EUR 6.0 million (H1/2021: EUR 7.3 million). In the previous year, the EBIT figure included value adjustments to receivables with a net positive effect of EUR 2.0 million.

Asia-Pacific

Revenue for the first six months of 2022 in Asia-Pacific grew 32.3 percent to EUR 43.4 million (H1/2021: EUR 32.8 million). Adjusted for currency effects, this corresponds to a rise of 26.8 percent. The region's share of total revenue increased to 4.0 percent (H1/2021: 3.5 percent). In Q2, growth in the region accelerated to 48.5 percent, with revenue reaching EUR 24.2 million (Q2/2021: EUR 16.3 million). Adjusted for currency effects, this corresponds to a rise of 41.1 percent.

As in the previous year, business developments in Australia were the main growth driver. Expansions to the dealer network, a sharper focus on independent rental firms, and an alignment of the product portfolio with local needs were made here in the previous year. This allowed the Group to significantly increase its revenue again in the first half of 2022. Australia also made a substantial contribution to the positive results in the region. Earnings before interest and taxes (EBIT)[1] for the Asia-Pacific region amounted to EUR 3.7 million (H1/2021: EUR 2.2 million). In the previous year, value adjustments were made for inventory in the amount of EUR +0.9 million.

The Group continues to face challenging market conditions in China with strong pressure on prices and a contracting construction equipment market. In contrast, the business situation in the Southeast Asian countries and in India developed positively. The Group is distributing machinery produced at the Chinese plant increasingly to export markets like Africa and South America.

Effects of consolidation

In the first half of the year, interim profit in the amount of EUR -3.8 million was eliminated (H1/2021: EUR -8.2 million). This is primarily attributable to the increase in inventory among sales affiliates and – to an extent – to the expansion of the Group's own rental equipment.

Results for the light equipment, compact equipment and services segments

REVENUE BY BUSINESS SEGMENT[1] H1/2022
AS A % (H1/2021)

[1] Consolidated revenue before cash discounts.

Light equipment revenue trends

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

Revenue[2] for the first half of the year rose 20.9 percent to EUR 242.9 million (H1/2021: EUR 200.9 million). Adjusted for currency effects, this corresponds to an upturn of 15.4 percent. The segment's share of total revenue increased to 22.5 percent (H1/2021: 21.5 percent). The figure for H1 2022 includes revenue contributed by the Enar Group for the month of June 2022 in the amount of EUR 2.8 million.

Growth for the second quarter amounted to 25.4 percent, with revenue reaching EUR 132.9 million (Q2/2021: EUR 106.0 million). Adjusted for currency effects, revenue rose 18.3 percent.

The Group made significant gains with its compaction technology products, in particular rammers and rollers. Strong growth was also recorded in the worksite technology segment with pumps, generators and light towers. This was mainly fueled by the growth of the North American market.

REVENUE BY BUSINESS SEGMENT
IN € MILLION

	Q2/2022	Q2/2021	Change	H1/2022	H1/2021	Change
Segment revenue from external customers						
Light equipment	132.9	106.0	25.4%	242.9	200.9	20.9%
Compact equipment	313.1	288.3	8.6%	618.8	529.9	16.8%
Services	108.5	103.1	5.2%	216.9	202.5	7.1%
	554.5	**497.4**	**11.5%**	**1,078.6**	**933.3**	**15.6%**
Less cash discounts	-3.6	-3.1	16.1%	-6.1	-5.0	22.0%
Total	**550.9**	**494.3**	**11.5%**	**1,072.5**	**928.3**	**15.5%**

[1] Before consolidation.

[2] Before cash discounts.

Compact equipment revenue trends

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

Fueled by strong demand in the construction and agricultural industries, revenue[1] for the compact equipment segment rose 16.8 percent to EUR 618.8 million in the first half of the year (H1/2021: EUR 529.9 million). The compact equipment segment's share of total revenue[1] rose to 57.4 percent during the period under review (H1/2021: 56.8 percent). In Q2 2022, segment revenue[1] rose 8.6 percent relative to the previous year to reach EUR 313.1 million (Q2/2021: EUR 288.3 million).

The Group reported gains across all key product groups in the construction sector. Highlights include the strong growth of wheel loaders as well as the continued success of the innovative dual view dumper, which experienced strong gains especially in the UK in the first half of the year.

Compact equipment sold under the Kramer and Weidemann brands for the agricultural sector continued to perform well in the first half of 2022. After already achieving growth of 13.9 percent here in the prior-year period, the Group was able to improve on this again in the first half of 2022 with a further 18.7-percent increase to EUR 207.4 million against the backdrop of a positive market environment (H1/2021: EUR 174.7 million). Alongside the generally high willingness to invest among landholders, market share gains in the three core markets of Germany, the UK and France contributed to this growth. Agricultural equipment's share of total revenue[1] increased to 19.2 percent (H1/2021: 18.7 percent).

Revenue trends in the services segment

The Wacker Neuson Group attaches great value to being close to its customers, offering committed and personalized service and support. The Group complements new equipment sales with an extensive range of services to support its products. These comprise the business fields of repair, service and spare parts, used equipment, financing, telematics solutions, eBusiness 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.

Demand for rental equipment proved particularly dynamic in the first half of 2022, whereas the sale of inventory from the Group's own rental equipment was reduced to ensure product availability in the rental fleet. In addition, the service business including maintenance and repair and the high-margin spare parts business grew at an accelerated pace in the first six months of the year. With a view to further optimizing the worldwide availability of spare parts and offering even better service to its customers, the Group is currently developing a new logistics center near Koblenz, Germany, with a total storage footprint of 55,000 square meters. In the future, it will serve as the central European hub for future-proof spare parts deliveries. Construction work is scheduled to be completed in 2023 with the start of lease and commencement of operations planned for 2024.

Revenue[1] for the services segment grew in the first half of 2022 by 7.1 percent to EUR 216.9 million (H1/2021: EUR 202.5 million). Adjusted for currency effects, revenue rose 5.1 percent. Due to the strong performance of the light and compact equipment segments, the services segment's share of total revenue[1] decreased to 20.1 percent (H1/2021: 21.7 percent).

Segment revenue[1] for the second quarter increased 5.2 percent relative to the previous year to reach EUR 108.5 million (Q2/2021: EUR 103.1 million). Adjusted for currency effects, this is a rise of 2.8 percent.

[1] Before cash discounts.

Other factors that impacted on results

Headcount trends
In the first six months of 2022, headcount increased 5.6 percent relative to the close of 2021 to reach 6,329 (December 31, 2021: 5,992 employees). Compared with June 30, 2021 headcount increased 10.4 percent (June 30, 2021: 5,733 employees). In production in particular, the number of employees increased sharply at the close of the first half-year relative to the prior-year figure, due to the increase in production output.[1]

The headcount figures as at June 30, 2022 also include a total of 139 people employed by the Spanish Enar Group. In a deal closed on June 1, 2022, the Wacker Neuson Group acquired 100% of the shares in Enarco S.A. Enar is a manufacturer of light construction equipment, specialized in concrete compaction.

Changes to the opportunity and risk situation

Compared with the opportunities and risks outlined in the 2021 Annual Report, risk exposure has decreased during the period under review. This decrease stems primarily from the consideration of material price and shipping cost risks in the financial planning and from their occurrence in the first half of 2022. Overall, risk exposure at the interim reporting date was 55 percent lower than the figure at the end of the year. Significant changes have occurred in the following risk categories compared with the situation at the close of 2021:

- Operational risks -70%
- Financial risks -51%
- Legal and regulatory risks +126%

Operational risks
The risks from increased cost of sales due to a rise in material prices and shipping costs, which in turn were caused by shortages in procurement markets and ongoing supply chain disruptions, have on the one hand materialized during the period under review and on the other hand have been incorporated into the current financial planning.

Financial risks | Legal and regulatory risks
Tax loss carry-forwards that cannot be used can have a negative impact on the Group's future earnings position in that the current tax burden cannot be adequately reduced by offsetting tax loss carry-forwards. The corresponding risk recognized in the 2021 Annual Report was re-evaluated during the period under review (84 percent lower than the figure at the end of the year) and reclassified as a legal and regulatory risk.

Other risks to which there were no substantial changes during the period under review are described in the 2021 Annual Report on pages 57 to 61. Company management is not currently aware of any other significant risks to the Group. According to the company's calculations, there are no individual risks with a value of anticipated damages in excess of 10 percent of the projected Group EBIT. The risk exposure is classified as "high" according to the definition outlined in the internal control and risk management system (see page 57 of the 2021 Annual Report).

Business opportunities are described on page 70 of the 2021 Annual Report and in the Outlook section of this interim management report.

Outlook

Continued growth in construction equipment market, future prospects uncertain in view of impact of geopolitical tensions
Despite the unrelentingly challenging backdrop, the European construction equipment market continued to grow in the first quarter of 2022. According to the Committee for European Construction Equipment (CECE)[2], however, the growth momentum is already starting to slow, with some markets reaching their saturation point. Even though demand from end user segments remains stable, the CECE anticipates that the far-reaching consequences of bottlenecks in component supply chains, rising energy prices and economic uncertainty due to geopolitical tensions will significantly affect this sector. There is uncertainty about whether the current level of market demand can be met in view of the pronounced bottlenecks on the supply side, and about the extent to which the increasing difficulties in meeting deliveries will lead to order cancellations.

Whereas the business barometer of the CECE was hovering at a record level at the start of the year, it experienced a slight correction in the second quarter against the backdrop of strained supply chains and rising energy prices. The forecasts of the European manufacturers remain optimistic for the second half of the year, with the majority of respondents expecting growth in both European and international markets. The future prospects for the North American market were assessed as the most promising; in Europe, the greatest confidence was expressed for Germany, France, Italy and Eastern Europe. Against the background of the previous year's high baseline, the CECE considers that even a stagnating revenue level would represent a positive result. With the exception of countries in Southern Europe, the data provider Off-Highway Research expects significant downturns in Europe's key construction equipment markets in 2023.[3]

The German Engineering Federation (VDMA)[4] is forecasting a 10-percent decline for the global construction equipment market in 2022 in a climate plagued by uncertainty. While revenue in Europe is expected to stagnate, the VDMA foresees a 5-percent contraction for Germany. Maintaining the usual level of supply will no longer be possible due to the impact of the war in Ukraine, according to the VDMA. Delivery failures were already resulting in stagnating growth and the start of order cancellations. The VDMA expects to see an uptick in demand as a result of stimulus programs. Europe could benefit from these up to 2023 before budgets are scaled back to counter high levels of debt. A "golden age" is on the cards for North America according to the VDMA, on the back of the US federal government's Bipartisan Infrastructure Law. With the signs set for a dramatic crash as a result of its zero-COVID strategy, the central government in China may need to respond with a new stimulus program.

Following a major collapse at the start of the year, the Business Climate Index published by the ifo Institute for the construction industry continued to rally as companies recently started to rate their business prospects more positively and also reviewed their expectations upwards. The general mood remains pessimistic, however.[5]

[1] Headcount figures do not reflect the actual number of people employed. They are calculated by converting the number of jobs, including temporary positions, within the Group into full-time equivalents.
[2] Source: Committee For European Construction Equipment, May 2022, Quarterly Economic Bulletin, Brussels
[3] Source: Off-Highway Research, Sales forecast for Western Europe, April 2022
[4] Source: VDMA, June 2022, Economic Situation, Construction Equipment and Building Material Machinery, Frankfurt
[5] Source: ifo Institute, May 2022, ifo Business Climate Germany

Subdued mood in the European agricultural technology sector
The business barometer published by the European umbrella association for the agricultural machinery industry (CEMA)[1] is still in decline following the big drop in March as a result of the Russia-Ukraine war. The pace of decline has slowed, however. Price increases and supply bottlenecks continued to place a huge strain on agricultural equipment manufacturers in the second quarter. Whereas optimism in regard to future revenue in Austria and Poland evaporated, the expectations regarding the development of the German and French markets remained positive. Manufacturers expect to see a revenue increase of 5 percent for 2022.

According to the German Farmers' Association,[2] sentiment in the German agricultural sector has stabilized somewhat in the run-up to spring on account of higher agricultural prices for grain, milk, beef and pork. There was a wide discrepancy between the assessment of the current situation and future expectations, however, with the latter falling to a new low. Despite this, German landowners revealed that they were slightly more willing to invest relative to the previous year, especially in future plans for renewable energy, but also in equipment. The overall mood was dampened, however, due to the ongoing high costs of fertilizer, energy and animal feed.

Guidance for fiscal 2022
The Group reported dynamic developments in order intake across all reporting regions in the first half of the year. The order book is at a record level. The biggest challenge in the second half of the year will continue to be the strained supply chain situation and the persistent price pressure on materials, energy and shipping, which already had a dampening effect on the development of the Group's business during the first half of the year. Taking into consideration the development of business to date, the prevailing conditions and the opportunities and risks facing the Wacker Neuson Group, the Executive Board has narrowed its earnings guidance for 2022 as a whole. The EBIT margin is now expected to lie between 9.0 and 10.0 percent (previous guidance: 9.0 to 10.5 percent). This includes the possibility of a one-off effect on earnings in the very low double-digit million euro range from the sale of assets no longer required for future operations. Revenue is still expected to lie between EUR 1,900 and 2,100 million.

The expectation is that the strained supply chain situation and the persistent price pressure on materials, energy and shipping will continue to negatively impact earnings in the second half of the year. In contrast, the price increases implemented by the Group should start to positively and clearly impact Group profitability from the third quarter.

Investments in property, plant and equipment and intangible assets are still forecast to reach around EUR 100 million in fiscal 2022 (2021: EUR 82.2 million).[3]

In line with the strategic target, the Executive Board expects the net working capital ratio (net working capital expressed as a percentage of revenue) to be less than or equal to 30 percent (December 31, 2021: 26.7 percent).

Outlook for 2023
Taking into consideration the prevailing conditions and the opportunities and risks facing the Wacker Neuson Group and assuming positive development of the global economy, the Executive Board, based on the information currently available, expects revenue to grow and profitability to remain stable or grow slightly in fiscal 2023.

Munich, August 4, 2022

Wacker Neuson SE, Munich, Germany

The Executive Board

Dr. Karl Tragl Chief Executive Officer (CEO) Chairman of the Executive Board	Felix Bietenbeck Chief Operations Officer (COO) Chief Technology Officer (CTO)
Christoph Burkhard Chief Financial Officer (CFO)	Alexander Greschner Chief Sales Officer (CSO)

[1] Source: CEMA, Business Barometer January, February, March, April, May, June, July 2022.
[2] Source: German Farmers' Association, business barometer for the agricultural sector, April 2022.
[3] Investments in property, plant and equipment and intangible assets. Investments in the Group's own rental equipment, purchases of investments and investments in financial assets are not included.

Consolidated Income Statement

JANUARY 1 THROUGH JUNE 30

IN € MILLION

	Q2/22	Q2/21	H1/22	H1/21
Revenue	550.9	494.3	1,072.5	928.3
Cost of sales	-420.1	-362.0	-821.9	-677.5
Gross profit	**130.8**	**132.3**	**250.6**	**250.8**
Sales and service expenses	-53.5	-46.7	-104.3	-93.8
Research and development expenses	-11.8	-11.6	-24.5	-24.0
General administrative expenses	-19.2	-18.2	-37.6	-36.0
Other income	2.5	3.1	4.8	5.8
Other expenses	-0.4	-2.4	-1.5	-2.7
Earnings before interest and tax (EBIT)	**48.4**	**56.5**	**87.5**	**100.1**
Financial income	7.4	-0.7	11.9	2.0
Financial expenses	-4.7	-2.5	-9.2	-5.1
Earnings before tax (EBT)	**51.1**	**53.3**	**90.2**	**97.0**
Taxes on income	-13.6	-12.4	-24.1	-27.0
Profit for the period	**37.5**	**40.9**	**66.1**	**70.0**
Of which are attributable to:				
Shareholders in the parent company	37.5	40.9	66.1	70.0
Earnings per share in € (diluted and undiluted)[1]	**0.55**	**0.59**	**0.97**	**1.00**

[1] Refer to the information in the selected explanatory notes.

Consolidated Statement of Comprehensive Income

JANUARY 1 THROUGH JUNE 30

IN € MILLION

	Q2/22	Q2/21	H1/22	H1/21
Profit for the period	**37.5**	**40.9**	**66.1**	**70.0**
Other income				
Income to be recognized in the income statement for subsequent periods				
Exchange differences	9.6	-1.3	13.4	5.0
Cash flow hedges	-0.5	0.6	0.4	0.9
Effect of taxes on income	–	–	–	–
Income to be recognized in the income statement for subsequent periods	**9.1**	**-0.7**	**13.8**	**5.9**
Income not to be recognized in the income statement for subsequent periods				
Actuarial gains/losses from pension obligations	11.7	1.7	18.0	3.6
Effect of taxes on income	-2.8	-0.5	-4.4	-0.9
Financial assets measured at fair value through other comprehensive income	–	4.2	–	4.2
Income not to be recognized in the income statement for subsequent periods	**8.9**	**5.7**	**13.6**	**7.2**
Other comprehensive income after tax	**18.0**	**5.0**	**27.4**	**13.1**
Total comprehensive income after tax	**55.5**	**45.9**	**93.5**	**83.1**
Of which are attributable to:				
Shareholders in the parent company	55.5	45.9	93.5	83.1

Consolidated Balance Sheet

AS AT JUNE 30

IN € MILLION

	Jun. 30, 2022	Dec. 31, 2021	Jun. 30, 2021
Assets			
Property, plant and equipment	414.7	393.9	384.8
Property held as financial investment	24.0	24.2	25.8
Goodwill	229.8	228.6	228.6
Other intangible assets	207.2	188.6	184.1
Investments	3.8	3.8	2.7
Deferred tax assets	18.5	29.4	28.3
Non-current financial assets	20.2	19.0	53.9
Total non-current assets	**918.2**	**887.5**	**908.2**
Rental equipment	196.3	191.6	178.6
Inventories	608.6	490.2	427.4
Trade receivables	321.5	237.9	288.8
Tax offsets	31.9	15.1	11.5
Other current financial assets	32.0	158.4	155.0
Other current non-financial assets	34.6	23.5	23.9
Cash and cash equivalents	72.1	305.5	238.8
Non-current assets held for sale	9.0	11.1	1.8
Total current assets	**1,306.0**	**1,433.3**	**1,325.8**
Total assets	**2,224.2**	**2,320.8**	**2,234.0**
Equity and liabilities			
Subscribed capital	70.1	70.1	70.1
Other reserves	614.5	587.1	575.0
Net profit/loss	686.9	682.0	614.4
Treasury shares	-53.0	-53.0	-20.0
Equity	**1,318.5**	**1,286.2**	**1,239.5**
Long-term financial borrowings	216.3	295.1	291.8
Long-term lease liabilities	46.3	50.4	50.6
Deferred tax liabilities	52.4	49.8	45.6
Provisions for pensions and similar obligations	35.3	54.6	58.2
Long-term provisions	9.4	10.0	10.3
Long-term contract liabilities	8.3	6.8	6.2
Total non-current liabilities	**368.0**	**466.7**	**462.7**
Trade payables	256.2	230.5	187.3
Short-term liabilities to financial institutions	66.1	138.7	140.5
Current portion of long-term borrowings	0.8	0.9	0.9
Short-term lease liabilities	22.0	22.2	24.2
Short-term provisions	21.3	20.5	18.7
Short-term contract liabilities	4.5	5.5	4.7
Income tax liabilities	23.2	22.8	33.7
Other current financial liabilities	78.1	74.6	63.6
Other current non-financial liabilities	65.5	52.2	58.2
Total current liabilities	**537.7**	**567.9**	**531.8**
Total liabilities	**2,224.2**	**2,320.8**	**2,234.0**

Consolidated Statement of Changes in Equity

AS AT JUNE 30

IN € MILLION

	Subscri-bed capital	Capital reserves	Exchange diffe-rences	Other neutral changes	Net profit/loss	Treasury shares	Equity at-tributable to share-holders in the parent company
Balance at January 1, 2021	**70.1**	**618.7**	**-18.9**	**-37.6**	**585.8**	**–**	**1,218.1**
Profit for the period	–	–	–	–	70.0	–	70.0
Other income	–	–	5.0	8.1	–	–	13.1
Reallocation of other income	–	–	–	-0.3	0.3	–	–
Total comprehensive income	**–**	**–**	**5.0**	**7.8**	**70.3**	**–**	**83.1**
Dividends	–	–	–	–	-41.7	–	-41.7
Purchase of treasury shares	–	–	–	–	–	-20.0	-20.0
Balance at June 30, 2021	**70.1**	**618.7**	**-13.9**	**-29.8**	**614.4**	**-20.0**	**1,239.5**
Balance at January 1, 2022	**70.1**	**618.7**	**-4.8**	**-26.8**	**682.0**	**-53.0**	**1,286.2**
Profit for the period	–	–	–	–	66.1	–	66.1
Other income	–	–	13.4	14.0	–	–	27.4
Total comprehensive income	**–**	**–**	**13.4**	**14.0**	**66.1**	**–**	**93.5**
Dividends	–	–	–	–	-61.2	–	-61.2
Balance at June 30, 2022	**70.1**	**618.7**	**8.6**	**-12.8**	**686.9**	**-53.0**	**1,318.5**

Consolidated Cash Flow Statement

JANUARY 1 THROUGH JUNE 30

IN € MILLION

	Q2/22	Q2/21	H1/22	H1/21
EBT	**51.1**	**53.3**	**90.2**	**97.0**
Adjustments to reconcile profit before tax with gross cash flows				
Depreciation, amortization and impairment of non-current assets	17.4	22.0	34.5	39.6
Unrealized foreign exchange gains/losses	6.1	3.8	8.4	-0.7
Financial result	-2.7	3.2	-2.7	3.1
Gains from the sale of intangible assets and property, plant and equipment	–	-0.3	-0.1	-0.9
Changes in rental equipment, net	-7.8	-15.9	-3.3	-19.5
Changes in misc. assets	-5.9	48.1	-11.6	43.5
Changes in provisions	0.7	-1.5	-1.3	-2.9
Changes in misc. liabilities	3.5	28.5	8.2	43.9
Gross cash flow	**62.4**	**141.2**	**122.3**	**203.1**
Changes in inventories	-47.3	9.1	-96.7	-9.8
Changes in trade receivables	-19.0	-7.8	-73.2	-64.1
Changes in trade payables	7.5	11.5	18.8	49.5
Changes in net working capital	**-58.8**	**12.8**	**-151.1**	**-24.4**
Cash flow from operating activities before income tax paid	**3.6**	**154.0**	**-28.8**	**178.7**
Income tax paid	-15.2	-22.2	-36.9	-23.4
Cash flow from operating activities	**-11.6**	**131.8**	**-65.7**	**155.3**
Purchase of property, plant and equipment	-15.8	-7.5	-25.6	-15.9
Purchase of intangible assets	-8.4	-11.7	-15.2	-18.6
Purchase of investments	-20.0	–	-20.0	–
Proceeds of investments	–	8.6	–	8.6
Cash inflow from financial investments	100.0	–	130.0	–
Cash outflow from financial investments	–	–	–	-100.0
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	0.4	2.5	0.6	4.1
Proceeds from disposals from the consolidation group	–	–	2.1	–
Cash flow from investment activities	**56.2**	**-8.1**	**71.9**	**-121.8**
Free cash flow	**44.6**	**123.7**	**6.2**	**33.5**
Dividends	-61.2	-41.7	-61.2	-41.7
Cash outflow from share buyback program	–	-19.2	–	-19.2
Cash receipts from short-term borrowings	-17.4	–	0.3	–
Repayments from short-term borrowings	–	–	-125.0	-0.4
Repayments from long-term borrowings	–	–	-35.6	–
Repayments from lease liabilities	-4.6	-6.3	-10.8	-12.3
Interest paid	-2.0	-2.7	-5.0	-6.0
Interest received	0.2	0.3	0.3	0.3
Cash flow from financial activities	**-85.0**	**-69.6**	**-237.0**	**-79.3**
Change in cash and cash equivalents before effect of exchange rates and changes in consolidation group	**-40.4**	**54.1**	**-230.8**	**-45.8**
Effect of exchange rates on cash and cash equivalents	-3.0	-1.3	-3.4	1.5
Change in consolidation group	0.8	–	0.8	–
Change in cash and cash equivalents	**-42.6**	**52.8**	**-233.4**	**-44.3**
Cash and cash equivalents at the beginning of the period	**114.7**	**186.0**	**305.5**	**283.1**
Cash and cash equivalents at the end of period	**72.1**	**238.8**	**72.1**	**238.8**

Consolidated Segmentation

JANUARY 1 THROUGH JUNE 30

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

SEGMENTATION (GEOGRAPHICAL SEGMENTS)

IN € MILLION

	Europe	Americas	Asia-Pacific	Consolida-tion	Group
H1/2022					
Segment revenue					
Total revenue	1,301.9	234.5	64.3		1,600.7
Less intrasegment sales	-404.3	-23.7	-13.9		-441.9
	897.6	210.8	50.4		1,158.8
Intersegment sales	-71.3	-8.0	-7.0		-86.3
Revenue from external customers	**826.3**	**202.8**	**43.4**		**1,072.5**
EBIT	**81.6**	**6.0**	**3.7**	**-3.8**	**87.5**

	Europe	Americas	Asia-Pacific	Consolida-tion	Group
H1/2021					
Segment revenue					
Total revenue	1,184.5	184.8	45.4		1,414.7
Less intrasegment sales	-388.7	-20.1	-8.0		-416.8
	795.8	164.7	37.4		997.9
Intersegment sales	-58.7	-6.3	-4.6		-69.6
Revenue from external customers	**737.1**	**158.4**	**32.8**		**928.3**
EBIT	**98.8**	**7.3**	**2.2**	**-8.2**	**100.1**

The consolidation effect reported and not allocated to the segments largely concerns the elimination of interim profit on inventories, as well as rental equipment.

SEGMENTATION (BUSINESS SEGMENTS)

IN € MILLION

	H1/22	H1/21
Segment revenue from external customers		
Light equipment	242.9	200.9
Compact equipment	618.8	529.9
Services	216.9	202.5
	1,078.6	933.3
Less cash discounts	-6.1	-5.0
Total	**1,072.5**	**928.3**

Geographical areas

REVENUE ACCORDING TO COMPANY LOCATION

IN € MILLION

	H1/22	H1/21
Germany	489.8	437.1
USA	144.4	113.7
Austria	77.5	75.8
Other	360.8	301.7
Wacker Neuson overall	**1,072.5**	**928.3**

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

	H1/22	H1/21
Germany	373.3	363.5
Austria	363.4	362.1
USA	41.2	38.9
Other	97.8	58.8
Wacker Neuson overall	**875.7**	**823.3**

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

Selected Explanatory Notes to the Condensed Interim Financial Statements for H1 2022

Accounting principles

The condensed Wacker Neuson SE Interim Consolidated Financial Statements to June 30, 2022 were prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations as valid on January 1, 2022, and adopted in the EU. The statements adhere to International Accounting Standard (IAS) 34 for condensed statements.

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

As an information instrument, this interim report builds on the Consolidated Financial Statements. We therefore refer to the Notes to the Consolidated Financial Statements of December 31, 2021. The comments there also apply to the quarterly and half-year statements for fiscal 2022, unless explicitly stated otherwise.

The general accounting principles, valuation methods and estimates used for the fiscal 2021 consolidated statements have also been applied to these interim financial statements.

The condensed Consolidated Financial Statements were approved for publication by way of a resolution passed by the Executive Board on August 4, 2022.

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

The following standards, amendments to standards and interpretations are mandatory as of January 1, 2022:

Name	Description	Mandatory[1]
EU endorsement issued by date of release for publication		
IFRS 3, IAS 16, IFRS 37	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

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

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

Standards and interpretations that have been published but not yet applied

The following accounting standards have been published but have not yet come into force, which is why there is no obligation to apply them yet. Should these accounting standards be endorsed by the European Union, it would, at the company's discretion, be generally 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 still outstanding		
IFRS 17	Insurance contracts	Jan. 1, 2023
IAS 1	Amendments to IAS 1: Classification of liabilities as current or non-current	Jan. 1, 2023
IAS 1	Information on accounting policies	Jan. 1, 2023
IAS 8	Definition of accounting estimates	Jan. 1, 2023
IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	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.

With regard to amendments published in the previous year, we refer to the Notes to the Consolidated Financial Statements of December 31, 2021.

In February 2021, the IASB issued further amendments to IAS 1 and IAS 8. The amendments to IAS 1 clarify that only "material" and company-specific accounting policies are to be presented in the Notes and that standardized information does not have to be provided. The amendment to IAS 8 relates to the definition of accounting estimates and clarifies how entities can better distinguish changes in accounting policies from changes in accounting estimates. Both amendments must be applied for fiscal years beginning on or after January 1, 2023. These amendments could reduce the scope of accounting-related disclosures in the Notes to the Consolidated Financial Statements of the Wacker Neuson Group. Wacker Neuson will engage with these changes in a timely manner.

The Interim Financial Statement for H1 2022 was not subject to any audit review.

Material discretionary decisions, estimates and assumptions

In preparing the Interim 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 circumstances giving rise to estimates, discretionary decisions and assumptions remain essentially unchanged from those underlying the Consolidated Financial Statements for fiscal 2021. We therefore refer here to the 2021 Annual Report, page 98 ff. The following provides details of the discretionary decisions, estimates and assumptions where changes were necessary relative to the Consolidated Financial Statements for fiscal 2021:

(a) Material discretionary decisions

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the financial statements 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 through other comprehensive income” 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 the 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.

(b) Estimates and assumptions

Changes in accounting estimates
In fiscal 2022, the database underlying the electronic devaluation system for the Group`s spare parts management system was analyzed in greater depth. The devaluation matrix (ABC parts) was expanded with more detailed information. This improvement in data quality led to recognition of a change in an accounting estimate for spare parts within the scope of IAS 8. For the interim financial statements as of June 30, 2022, this results in an additional devaluation of EUR 0.6 million.

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 reduced, or should changes to current tax legislation restrict the time frame or feasibility of future tax benefits. There were no indications for reassessment of the feasibility of future tax benefits for the recognition of deferred tax assets.

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 and intangible assets of indefinite useful life once a year. No indications of impairment were identified during the year within these intangible assets.

ECL allowances for financial assets
The Group uses a provision matrix to calculate estimated credit losses (ECLs) for selected financial assets. These financial assets mainly comprise:

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

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by 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 then calibrates 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. The analysis undertaken did not result in any material changes for H1 2022.

Legal changes to company structure

In May 2022, Wacker Neuson SE acquired a stake in Austria-based SEQUELLO GmbH, which operates a digital platform for core construction logistics processes. Closing of the transaction is subject to antitrust approval by the European Union, which had not yet been granted at June 30, 2022. Antitrust approval followed on July 11, 2022 and the investment will be accounted for as a joint venture by the Group from this point using the equity method.

On June 1, 2022, the Group acquired 100% of the shares and voting rights in Enarco S.A. Headquartered in Zaragoza, Spain, it is the parent company of a total of eleven subsidiaries that make up the Enar Group. As a result of its voting majority, the Group gained control of Enarco S.A. and thus also of the remaining Enar Group companies.

The Enar Group manufactures light construction equipment and specializes in concrete technology. Alongside internal vibrators for concrete, the company`s product portfolio also covers vibratory plates, rammers and walk-behind rollers for soil and asphalt compaction. The acquisition of the Enar Group will help to further strengthen the Wacker Neuson Group`s market position and extend its international reach, particularly in the field of concrete technology.

In June 2022, the Enar Group contributed revenue of EUR 2.8 million and EUR 0.1 million in profit to consolidated earnings. If the acquisition had taken place on January 1, 2022, management estimates that Group revenue would have been EUR 1,087.3 million and Group profit EUR 67.2 million for the first six months of 2022. In determining these amounts, management proceeded under the assumption that the preliminary fair values as calculated at the acquisition date would also have been valid in the event of an acquisition on January 1, 2022.

The consideration to be transferred shall consist solely of liquid funds and is initially estimated to amount to EUR 25.3 million. Of this, a sum of EUR 19.4 million has already been transferred and a sum of EUR 3.4 million was initially retained as collateral and recognized under other current financial liabilities. This sum will be paid out no later than two years after the acquisition date, provided no claims are asserted. An amount of EUR 2.5 million is subject to clauses relating to purchase price adjustment and was initially reported under other current financial liabilities.

To date, costs of EUR 0.3 million were incurred in connection with this business combination. These costs have been included under general administrative expenses.

The following is a summary of the provisional amounts recognized for key assets acquired and liabilities incurred at the acquisition date:

IN € MILLION

	Jun. 1, 2022
Property, plant and equipment	10.5
Goodwill	1.2
Other intangible assets	12.6
Inventories	6.6
Trade receivables	5.4
Other current non-financial assets	1.1
Cash and cash equivalents	1.0
Long-term financial borrowings	4.0
Deferred tax liabilities	3.5
Trade payables	3.2
Current portion of long-term borrowings	1.0
Income tax liabilities	0.5
Other current non-financial liabilities	0.6

Trade receivables comprise gross amounts of EUR 5.5 million, of which EUR 0.1 million was assessed as unlikely to be recoverable at the acquisition date.

If new information comes to light within one year of the acquisition date regarding facts and circumstances that existed at the acquisition date and would have resulted in revisions to the above amounts, accounting for the acquisition will be adjusted.

The provisional goodwill recognized as part of the acquisition is not deductible for tax purposes and is calculated as follows:

IN € MILLION	Jun. 1, 2022
Consideration transferred	25.3
Fair value of acquired net assets	24.1
Goodwill	**1.2**

The goodwill is mainly derived from consolidation of the Group`s business position in concrete technology and access gained to new customer segments.

Seasonal fluctuations

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

Viewed as a percentage, the quarterly distribution of consolidated revenue from fiscal 2019 through 2021 was as follows:

AS A %

	2021	2020	2019
Q1	23	25	23
Q2	26	24	27
Q3	25	24	25
Q4	26	27	25

Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing the consolidated earnings by the average number of shares. There was no share dilution effect in the period under review. A share buyback program began in April 2021 and was successfully concluded in November 2021. Share buyback has an impact on earnings per share. For the period from January 1 through June 30, 2022, earnings per share were calculated on the basis of an average number of shares in circulation of 68,015,345. For the period from January 1 through June 30, 2021, earnings per share were calculated on the basis of an average number of shares in circulation of 69,826,300.

IN € MILLION

	2022	2021
Q2		
Quarterly earnings attributable to shareholders in € million	37.5	40.9
Weighted average number of ordinary shares in circulation during the period in thousands	68,015	69,649
Earnings per share in €	0.55	0.59
H1		
Quarterly earnings attributable to shareholders in € million	66.1	70.0
Weighted average number of ordinary shares in circulation during the period in thousands	68,015	69,826
Earnings per share in €	0.97	1.00

Information on financial instruments

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

IN € MILLION

	Jun. 30, 2022 Fair value	Jun. 30, 2022 Book value
Assets		
Investments	3.8	3.8
Non-current financial assets	20.2	20.2
Trade receivables	321.5	321.5
Other current financial assets	32.0	32.0
Cash and cash equivalents	72.1	72.1
Liabilities		
Long-term financial borrowings	205.4	216.3
Trade payables	256.2	256.2
Short-term liabilities to financial institutions	65.8	66.1
Current portion of long-term borrowings	0.8	0.8
Other short-term financial liabilities	78.1	78.1

Upon initial recognition, the Group can elect to irrevocably classify equity investments it holds in other companies as equity instruments measured at fair value through other comprehensive income if they meet the definition of equity under IAS 32, Financial Instruments: Presentation, and are not held for trading.

- Investments in pension funds: The Group holds investments in pension funds in the amount of EUR 1.5 million (December 31, 2021: EUR 1.6 million) to secure the pension entitlements of former Executive Board members. These are not defined as plan assets in accordance with IAS 19 and are not netted against provisions for pensions. The pension fund investments are reported under “Other non-current financial assets”. Their fair value is calculated using prices listed on active markets for identical financial assets (level 1 evaluation). Investments in pension funds are measured at fair value through other comprehensive income.

- Minority shareholding in Austria: The Group holds shares in an unlisted company in the amount of EUR 3.7 million (December 31, 2021: EUR 3.7 million), which invests specifically in innovative start-ups. The aim of this investment is to give the Group access to new technologies. The minority shareholding in Austria is recognized under the “Investments” item. The minority shareholding is measured at fair value recognized in the income statement.

Information about revenue

The following table shows revenue generated by the company from contracts with customers and other revenue sources according to product group and site:

IN € MILLION

	H1/22	H1/21
Geographical segments		
Europe	826.3	737.1
Americas	202.8	158.4
Asia-Pacific	43.4	32.8
Total revenue	**1,072.5**	**928.3**
Business segments		
Light equipment	242.9	200.9
Compact equipment	618.8	529.9
Services	216.9	202.5
Less cash discounts	-6.1	-5.0
Total revenue	**1,072.5**	**928.3**
Source of revenue:		
Revenue generated from contracts with customers	981.7	837.6
Other revenue	90.8	90.7
Total revenue	**1,072.5**	**928.3**

Other revenue mainly includes revenue from flexible rental solutions for equipment and accessories in accordance with IFRS 16 as well as revenue from dealer and customer financing in accordance with IFRS 9. Revenue in the Services segment includes revenue from flexible rental solutions for equipment and accessories in the amount of EUR 90.6 million (H1/2021: EUR 87.5 million). The rental period is generally short term, averaging approximately 15 days. Approximately EUR 0.2 million from dealer and customer financing was recognized for the first half of 2022 (H1/2021: EUR 3.2 million).

Related party disclosures

For the Group, “related parties” within the meaning of IAS 24: Related Party Disclosures generally refers to shareholders, entities over which shareholders have control or significant influence (sister companies), non-consolidated companies, members of the Executive Board, members of the Supervisory Board and a pension fund. The type and scope of transactions conducted with related parties are comparable to the previous year. Please refer to the 2021 Annual Report for more information.

Important events

The following important events occurred during the period under review:

- The Annual General Meeting (AGM) of Wacker Neuson SE took place on June 3, 2022. Once again, the meeting was held virtually, without shareholders or their proxy holders being physically present (with the exception of the proxies appointed by the company).
- The dividend proposed by the Executive Board and Supervisory Board in the amount of EUR 0.90 per share for fiscal 2021 was approved by shareholders. EUR 61.2 million was thus distributed to the shareholders.
- At the close of the first half-year, other current financial assets amounted to EUR 32.0 million (December 31, 2021: EUR 158.4 million). This significant decrease is due to the maturity of a fixed-term investment in the amount of EUR 130.0 million.
- Provisions for pensions and similar obligations fell to EUR 35.3 million as at June 30, 2022 (December 31, 2021: EUR 54.6 million). This reduction is mainly due to an increase in the discount rate from 1.2 percent to 3.3 percent, which led to a valuation effect of approximately EUR 18.0 million in other income (refer to the consolidated statement of comprehensive income).
- Non-current financial liabilities amounted to EUR 212.7 million as at June 30, 2022 (December 31, 2021: EUR 295.1 million). As of December 31, 2021, the Group recognized promissory notes (Schuldschein) in US dollars in the amount of USD 99.9 million under non-current financial liabilities. Of this amount, USD 40 million was prematurely repaid in March 2022. Due to the term involved (maturing in March 2023), USD 52.5 million was reclassified to short-term liabilities to financial institutions. In addition, a promissory note (Schuldschein) in the amount of EUR 125.0 million was repaid as scheduled in February 2022. This was reported under short-term liabilities to financial institutions as of December 31, 2021.
- In May 2022, a foreign currency loan in US dollars to a foreign business operation, classified as part of a net investment, was prematurely repaid. The nominal value amounted to USD 60.0 million and had been issued by the German parent company of the Group to the American sales affiliate Wacker Neuson America Corporation. The translation differences from the outstanding receivable, which was part of a net investment in a foreign business, were initially recognized in equity under other income. Due to the premature repayment of the American company’s loan, the effects were reclassified from equity to the income statement. The value recognized in the income statement amounted to EUR 0.7 million in fiscal 2022 and was reported under financial income.
- The ongoing Russia/Ukraine crisis and associated deterioration in the supply chain situation marked a downturn for the construction equipment sector. At the start of March 2022, the Executive Board decided to suspend the delivery of equipment to Russia for the time being. As at June 30, 2022, the Group’s Russian sales affiliate within the Wacker Neuson Group had inventory in the amount of EUR 3.5 million and trade receivables in the amount of EUR 1.6 million. In the first half of the year, the impairment test did not give rise to any material impairment losses. The Executive Board is keeping an eye on unfolding developments.
- As of December 31, 2021, the Group had recognized an obligation to employees in the amount of EUR 2.6 million arising from restructuring measures at the logistics center in Karlsfeld, Germany. Due to a change in expectations, EUR 0.7 million was reversed in the first half of 2022.
- In June 2022, the Wacker Neuson Group and John Deere Construction & Forestry Company – a subsidiary of Deere & Company, USA, a global leader in the delivery of agricultural, construction and forestry equipment – reached an agreement regarding mini and compact excavators. The long-term, exclusive OEM supply agreement covers mini and compact excavators weighing less than 5 metric tons and also includes battery electric excavators. Wacker Neuson will design and manufacture the machines at its facilities in Menomonee Falls, USA, as well as at Linz, Austria, for the requirements of John Deere mainly for North America. The excavators will be distributed under the John Deere brand via John Deere’s global dealer network. The companies plan a phased introduction of models. All Wacker Neuson models in the same product range will continue to be distributed under the Wacker Neuson brand through Wacker Neuson’s own distribution network. Wacker Neuson management is confident that this agreement will substantially accelerate the Group’s profitable growth trajectory in the medium term. It does not, however, expect significant contributions to sales and earnings within the next three to four years. The Wacker Neuson Group plans to invest an amount in the low double-digit million euro range to expand production capacity accordingly. The agreement also covers a technical collaboration between John Deere and Wacker Neuson in relation to 5 - 9 metric ton excavators. John Deere will purchase and incorporate design and technical IP provided by Wacker Neuson, adapting and evolving it to meet its own manufacturing and innovation requirements. These models will be produced and launched on the market exclusively by John Deere, while Wacker Neuson will independently continue to develop, produce and distribute its own 5 - 9 metric ton excavators under its own brand.

- The asset-backed securities transactions (ABS program) developed as follows in 2022:

IN € MILLION

	Jun. 30, 2022	Jun. 30, 2021
Transferred assets		
End of contractual terms in year	2023	2023
Contractual maximum in USD	150.0	150.0
Sold receivables volume on balance sheet date	97.5	86.2
Range of sold receivables volume in year under review	97.5	86.2
Entitlements/obligations from receivables management	–	–
Continuing involvement		
Maximum credit risk (before credit insurance)	17.2	15.2
Total carrying amount of transferred receivables	97.5	86.2
Book value of assets still carried	17.2	15.2
Book value of associated liability	17.2	15.2
Fair value of the financial guarantee	0.6	0.8

Please refer to page 5 ff. in the Interim Group Management Report of June 30, 2022, for further information and explanatory comments on events that could have a substantial impact on profit, financials and assets.

Events since the interim statements

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

Munich, August 4, 2022

Wacker Neuson SE, Munich, Germany

The Executive Board

Dr. Karl Tragl
Chief Executive Officer (CEO)
Chairman of the Executive Board

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

Christoph Burkhard
Chief Financial Officer (CFO)

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 for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management review of the Group gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year."

Munich, August 4, 2022

Wacker Neuson SE, Munich

The Executive Board

Dr. Karl Tragl Chief Executive Officer (CEO) Chairman of the Executive Board	Felix Bietenbeck Chief Operations Officer (COO) Chief Technology Officer (CTO)
Christoph Burkhard Chief Financial Officer (CFO)	Alexander Greschner Chief Sales Officer (CSO)

Publishing Details/Financial Calendar

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Financial Calendar 2022

August 9	**Publication of half-year report 2022**
September 21	Berenberg/Goldman Sachs German Corporate Conference
November 10	**Publication of nine-month report 2022**

Disclaimer

This report contains forward-looking statements which are based on current estimates and assumptions made by corporate management at 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, uncertainties and other factors. Many of the factors described in publications, in particular, but not limited to, the Company's risk report, are outside the Company's control and cannot be forecast with a high degree of reliability. These include the future economic environment, the actions of competitors and market players, as well as future legal or regulatory frameworks. Should these risks or uncertainties be realized or if the assumptions made based on these statements turn out to be inaccurate, actual results may differ significantly from the results explicitly or implicitly provided in these statements. The company neither plans nor undertakes to update any forward-looking statements beyond legal requirements.

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