Wacker Neuson Group

On the move

Annual Report 2016

Figures at a Glance 2016

WACKER NEUSON GROUP AT DECEMBER 31

IN € MILLION	2016	2015	Changes[1]
Key figures			
Revenue	1,361.4	1,375.3	-1% (0%)
by region			
Europe	1,020.7	979.3	4% (6%)
Americas	291.9	348.5	-16% (-15%)
Asia-Pacific	48.9	47.5	3% (+6%)
by business segment[2]			
Light equipment	377.9	417.1	-9% (-8%)
Compact equipment	709.3	697.5	2% (3%)
Services	297.2	283.9	5% (6%)
EBITDA	157.4	171.3	-8%
Depreciation and amortization	69.3	67.7	2%
EBIT	88.1	103.6	-15%
EBT	81.4	97.5	-17%
Profit for the period[3]	56.8	66.2	-14%
Number of employees	4,792	4,632	3%
R&D ratio (incl. capitalized expenses) as a %	3.4	3.2	0.2 PP
Share			
Earnings per share in €	0.81	0.94	-14%
Dividends per share in €[4]	0.50	0.50	0%
Key profit figures			
EBITDA margin as a %	11.6	12.5	-0.9 PP
EBIT margin as a %	6.5	7.5	-1.0 PP
Key figures from the balance sheet			
Non-current assets	879.4	850.7	3%
Current assets	701.4	701.4	0%
Equity before minority interests	1,087.2	1,064.1	2%
Gearing as a %	18.9	18.7	0.2 PP
Equity ratio before minority interests as a %	68.8	68.6	0.2 PP
ROE as a %	5.3	6.4	-1.1 PP
Average working capital to revenue as a %	42.0	40.2	4%
Capital employed (average)	1,025.6	976.6	5%
ROCE II as a %	6.0	7.3	-1.3 PP
Cash flow			
Cash flow from operating activities	131.1	131.0	0%
Cash flow from investment activities	-102.4	-113.2	-10%
Investments (property, plant and equipment and intangible assets)	107.0	118.4	-10%
Cash flow from financing activities	-36.1	-6.6	447%
Free cash flow	28.7	17.8	61%

[1] In brackets: adjusted to currency effects.
[2] Consolidated revenue before cash discounts.
[3] After minority interests.
[4] The Dividend proposal for the AGM on May 30, 2017 will be EUR 0.50 again.
All consolidated figures prepared according to IFRS. A ten-year overview of key indicators is provided at the end of this report.

The Wacker Neuson Group

The Wacker Neuson Group is an international family of companies and a leading manufacturer of light and compact equipment with over 50 affiliates and 140 sales and service stations. The Group offers its customers a broad portfolio of products, a wide range of services and an efficient spare parts service. The product brands Wacker Neuson, Kramer and Weidemann belong to the Wacker Neuson Group. Wacker Neuson is the partner of choice among professional users in construction, gardening, landscaping and agriculture, as well as among municipal bodies and companies in industries such as recycling, energy and rail transport. In 2016, Wacker Neuson achieved revenue of EUR 1.36 billion and employed 4,800 people worldwide.

Content

Interview with the CEO

Are you satisfied overall with fiscal 2016?

2016 was a challenging year for the majority of global equipment manufacturers who operate in our target markets, with companies reporting regional losses in revenue and earnings. We were also affected by the many different crises that shaped 2016. Our business in North America – and especially sales of light equipment – were particularly hard hit in 2016. We were able to offset the lion's share of the fall in revenue in this region with a solid performance in Europe, where we exceeded the billion-euro threshold for the first time. Revenue in Asia Pacific was also higher than the previous year. Despite this, our results still developed below our expectations and targets. As a result, we adjusted our revenue and earnings forecast downwards in mid-2016. Overall, we were at least able to keep revenue at the same level as the previous year despite the challenging conditions.

"Despite the challenging conditions, we were at least able to keep revenue at the previous year's level."

What about profit? Why did this come in below the prior-year level?

As I already mentioned, the business climate in 2016 was far from ideal. Our customers in the agricultural sector were very cautious about investing in equipment. This was due to very low prices for agricultural produce such as milk, corn and wheat. In addition to this, orders from our customers in the oil and gas industry in North America ground almost completely to a halt due to low oil prices. This resulted in excess light and compact equipment inventory, which was sold off at comparatively low prices to customers in the construction industry, which so far remained largely unaffected by these trends. This, in turn, dampened sales of new equipment. Demand in South America failed to recover due to ongoing political crises in key markets, with Brazil a particular disappointment. In the past, we achieved solid profit margins in all of these markets.

The situation was further compounded by unexpected difficulties during the ramp-up of new product lines. We experienced quality issues with component suppliers following the relocation of skid steer loader production from Austria to the US. Although we received compensation from the suppliers in question, it was not enough to make up for the revenue lost as a result of delayed deliveries or the one-off effects on earnings. We tried to limit the impact on our customers as much as possible through appropriate measures in the field. These additional costs also impacted earnings. Although we did save costs in other areas, our profit still came in at the lower end of our revised earnings range.

In Asia-Pacific, the Chinese market is still in the early stages of development and this is negatively impacting our profitability. In the coming year, we will start to manufacture excavators locally for the region there. Unfortunately, Australia and New Zealand were also in a period of adjustment as they adapted to difficult market conditions.

Let's talk about new product lines. What technologies are you currently focusing on?

Like all manufacturers in our industry, we have channeled significant energy and resources into ensuring that our products comply with new emissions regulations for diesel engines. These new standards increase space requirements and technical complexity, which means we have had to completely redesign some of our machines. The situation is compounded by the lack of regulatory harmonization across regions. This means that we have to develop different technical solutions for different parts of the world – all of which costs us a great deal of time and money. It also increases inventory levels. In anticipation of further developments in legislation and demand, we are staying ahead of the curve here and focusing in particular on developing our zero-emission solutions further. We demonstrated our commitment to electric drives at the bauma 2016 tradeshow in Munich, where our Kramer 5055e electric wheel loader won the exhibition's Innovation Award in the "Machine" category. The jury rated in particular the loader's low noise levels and low maintenance costs, enabled by the fact that electric motors are subject to almost no wear and tear. Our battery-powered rammer also received an award from BG Bau, which even subsidizes part of the purchase price for customers.

Cem Peksaglam
CEO

who buy this product. Overall, our zero-emission solutions impressed many visitors to bauma.

In addition to reduced fuel consumption and emissions, machine intelligence is set to become increasingly important in future as the trend towards digitalization gathers pace. We will continue to meet this trend by launching innovative products over the coming years in order to strengthen our position in an increasingly competitive landscape.

What else are you doing to maintain the Group's competitive position?

Last year, we initiated numerous projects to create an even more solid foundation for our future success. We continued to expand our international reach in 2016, by opening a new production plant in Brazil and by starting construction of a production facility in China. We firmly believe that a regional presence – on both the development and production front – is essential to successfully develop these fast-growing markets in the long term. We plan to invest further in international expansion. The relocation of our R&D center from Munich to our plant in Reichertshofen towards the end of 2016 will also drive innovation in the light equipment segment, especially with regard to time-to market.

Investing in brand awareness is extremely important. In 2016, we launched a new branding concept that has made Wacker Neuson products much more recognizable. We also created an additional sales channel. This has currently been rolled out to Germany, the UK and France. Customers in these countries can quickly and easily order our products and spare parts via our e-shop. This e-commerce solution is currently being developed further and localized. We also optimized our logistics operations. As of mid-2016, we now ship spare parts for compact equipment in Europe from a new central warehouse in Nuremburg, Germany, and not from our individual plants. This new structure lays the foundation for a more professional and profitable aftermarket business. In addition, we are working on product platform concepts that will enable us to standardize our products as much as possible across the Group, while at the same time supporting the product and brand differentiation required to successfully target local markets. This will contribute further to profitability.

We are of course aware that all of these measures cost money. However, they also lay the foundation for future revenue and earnings growth. As such, we are focusing on medium-term success rather than short-term gains.

Let's move on to capital. Why does the Group require such a high working capital to revenue ratio – over 40 percent?

I touched on the issue of multiple engine versions above. We have to keep many different variants in stock in order to serve our customers across the globe. In addition to this, our customers expect us to deliver products rapidly, which means that we have to keep sufficient numbers of finished machines in stock. It goes without saying that the crises in the energy and agriculture sectors have also contributed to a rise in inventory. We are currently taking steps to counter this as effectively as possible. Unlike many of our competitors, whose inventory is reported on their dealers' balance sheets and not their own, we post inventory held by over 30 sales affiliates and their sales and services stations on our own books. We have 75 sales and service branches in German-speaking countries alone. Nevertheless, we are working on optimizing our working capital to revenue ratio. In 2016, for example, we cut overall inventory levels by 7 percent relative to the previous year.

There have been a few changes at Executive Board level in recent months. Why?

Mr. Trepels is an experienced colleague who joined our Executive Board team as CFO on January 1, 2017. He replaced Mr. Binder, who left the company on December 31, 2016. The second change refers to the position of Chief Sales Officer. Mr. Greschner took on this role in January 2017. Prior to this, he spent three years as Managing Director of our German light equipment production company. He replaced Mr. Jongert, who took on the role on April 1, 2016. Due to a difference in opinion on the implementation of the current sales strategy, Mr. Jongert and the Supervisory Board reached a mutual agreement for Mr. Jongert to leave the company earlier than planned. We are delighted to be working with these two new colleagues on the Executive Board and I am confident we will continue to make every effort to execute our effective strategy with success.

"I am confident we will continue to make every effort to execute our effective strategy with success."

Looking to the future now, Mr. Peksaglam, what are the Wacker Neuson Group's expectations for this year and the near future?

We are optimistic about 2017 because customer confidence has increased overall. We believe that key target markets will start to develop much more positively for us. In North America, we expect a tangible recovery in our revenue and earnings. On the one hand, the problems experienced during the start-up of skid steer loader production in the US will largely be resolved and, on the other, we are set to benefit from an upswing in demand once again – we have already received the first major orders from rental companies. The fact that our order books for compact equipment are currently full is further reason for optimism, and many of these orders have come from the agricultural sector. Our markets are cyclical and we are used to peaks and troughs. After a challenging past 18 months, we expect 2017 to be a year of growth for us – also in terms of earnings.

In our industry, you have to play the long game in order to cope with market volatility. The important thing is to remain committed to your long-term strategy and growth path – and we certainly do that here at Wacker Neuson.

How does that translate into concrete figures for 2017? What can your shareholders expect?

In a nutshell, we expect revenue for this year to range between EUR 1.40 and EUR 1.45 billion, which corresponds to an increase of 3 to 7 percent relative to the previous year. We expect operational profitability to increase, with an EBIT margin of between 7.5 and 8.5 percent, compared with 6.5 percent in 2016. For investments, we have earmarked around EUR 120 million and aim to generate positive free cash flow again. In the Annual General Meeting in May 2017, we will propose a dividend of EUR 0.50 per share for fiscal 2016. This is the same figure as for the two preceding fiscal years and it underscores our commitment to ensuring continuity for our shareholders. Furthermore, we announced that we expect to generate non-operating income in the mid-double-digit million range (in euros) in 2017 through the sale of a real estate company.

Looking further to the future, are there any structural changes that could affect the Wacker Neuson Group's business in the long term?

From a long-term perspective, the future looks bright for our company and our products. Increasing urbanization is fueling demand for compact equipment. The trend towards lower emissions is driving the need for innovative products. And as the global population continues to rise, so too does demand for multifunctional and specialized machines for the agricultural and construction industries. At the same time, our customers will be looking for more services for these machines. We are ideally positioned to capitalize on these developments. Overall, we expect further mergers to take place in our target markets and competition to intensify. We are also currently evaluating the viability of further partnerships and acquisitions.

Thank you for your time Mr. Peksaglam.

The interview was carried out by economic journalist Joachim Weber.

Management

(from left to right)

Martin Lehner
CTO
(Deputy CEO)

Responsible for procurement, production, technology and quality.

Alexander Greschner
CSO

Responsible for sales, service, logistics and marketing.

Wilfried Trepels
CFO

Responsible for finance, audit and IT.

Cem Peksaglam
CEO

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

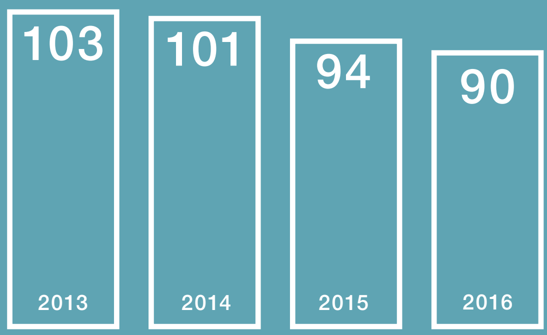
The challenges that shaped 2016

2016 was, without doubt, a year full of challenges for us. The period was shaped by difficult market developments and fluctuations in demand across almost all regions of the world. Europe proved to be the only region where the construction equipment market developed positively overall. Low crude oil prices led to a collapse in demand for products in the oil and gas industry while low milk, corn and grain prices dampened willingness to invest in agricultural technology. Currency fluctuations had a negative impact on business. In addition to this, a lack of harmonization in global regulations governing diesel engine emissions is increasing pressure on construction equipment manufacturers and creating major challenges for the industry.

Over the following pages, a number of industry experts provide deeper insights into the key challenges that shaped 2016. Reaching beyond these, we also present a number of success stories in the execution of our strategy, going on to share our expectations for business development over the coming years.

GLOBAL AGRICULTURAL TECHNOLOGY MARKET CONTRACTS THIRD YEAR IN A ROW: HIGH LEVEL OF SATURATION IN LEADING MARKETS

in € billion



-12%
in three years

SOURCE: VDMA

CONSTRUCTION EQUIPMENT MARKET DEVELOPS NEGATIVELY IN THE AMERICAS REGION IN 2016

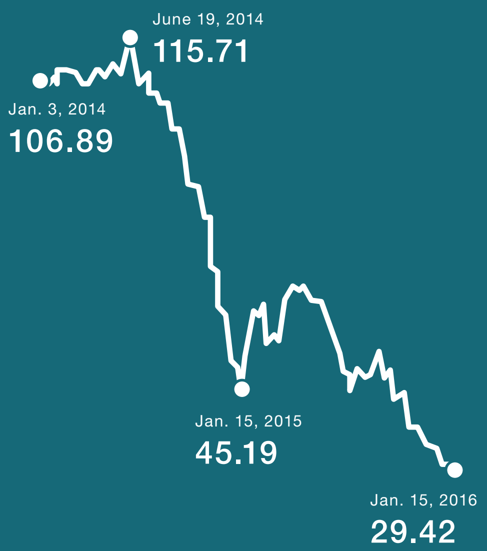
-9%
North America

-28%
Latin America

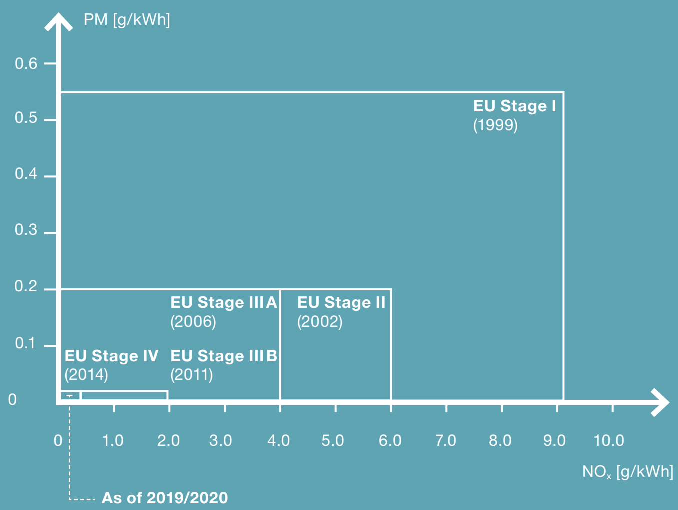
SOURCE: VDMA

FALLING OIL PRICE SQUEEZES WILLINGNESS TO INVEST ACROSS THE OIL AND GAS SECTOR IN 2016

Brent, in dollars per barrel



EMISSIONS REGULATIONS (E.G. IN EUROPE) REQUIRE COMPLEX NEW ENGINE DEVELOPMENTS, ESPECIALLY IN THE 19–130 KW POWER CLASS – A KEY CATEGORY FOR WACKER NEUSON



Following the approval of a new regulation by the European Parliament, mobile machinery made in Europe will soon be among the cleanest in the world. The new regulation, referred to as Stage V, aims to further reduce emissions by introducing stricter threshold values. It sets out new upper limits for particulate matter and has been expanded to bring further engine sizes within scope.
(NO_x – nitrogen oxides; PM – particulate matter)

PRESSURE ON PROFITABILITY (EBIT MARGIN)

-1 pp relative to prev. year

6.5%
2016

EARNINGS PER SHARE

–14%

€ 0.81
2016

DR. BERND SCHERER
MEMBER OF THE VDMA MANAGEMENT BOARD AND DIRECTOR OF THE AGRICULTURAL MACHINERY ORGANIZATION (FACHVERBAND LANDTECHNIK)

EUROPE REGION

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The agricultural machinery sector has been contracting for almost three years now. Low prices for agricultural produce such as milk, grain and corn has impacted the financial situation on agricultural landholdings and is dampening landholders’ willingness to invest in agricultural equipment such as tractors, combine harvesters and wheel loaders. Following the withdrawal of milk quotas, milk prices fell to such a low level that dairy farmers could no longer operate profitably. At the start of 2016, major dairies were paying 24 cents per liter. This is far too low a price. Dairy farmers require a per-liter price in the range of 35 to 40 cents. The European agricultural sector continues to face major challenges framed by social and political developments and fluctuating markets.

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AGRICULTURE

Reduced willingness to invest

Agricultural landholders' reluctance to invest in new telescopic loaders and wheel loaders had a negative impact on business in fiscal 2016. However, agricultural landholdings are increasingly focusing on purchasing innovative, powerful machines that help raise efficiency levels. As such, the Group expects this sector to develop positively over the coming years. The first positive trends started to emerge here in the last quarter of 2016.

Collapsing markets

Fiscal 2016 was shaped by low raw material prices. Construction activity in the North American oil and gas sector practically came to a standstill during the year. Other markets that are heavily dependent on raw material extraction such as Latin America, South Africa and Australia also developed weakly. In 2014, equipment for the oil and gas sector – above all heating equipment, generators, pumps and light towers – accounted for approximately one quarter of our revenue in North America. In 2016, however, this market had virtually disappeared, putting a tight squeeze on revenue and earnings.

ROY DREVER
VICE PRESIDENT SASKARC[1],
WACKER NEUSON CUSTOMER

NORTH AMERICA REGION

"Looking at developments over the past ten years, oil prices recently slumped to a new all-time low. The oil and gas sector was extremely weak in 2016, making extraction no longer economically viable. As a result, our oil and gas customers – and by extension, our company – were forced to scale back investments. Now, we are seeing oil prices stabilize, which is prompting some large extraction players to start investing in projects again. The Canadian government has approved two major pipelines and there is a possibility of the Keystone pipeline gaining approval in the US. These developments, coupled with a decrease in output from other leading global oil producers, are helping to slightly strengthen and stabilize the market."

[1] North American supplier Saskarc offers a wide range of solutions for steel fabrication, modularization and construction site equipment.

BELÉN BRAVO
TECHNICAL POLICY MANAGER
AT CECE[1]

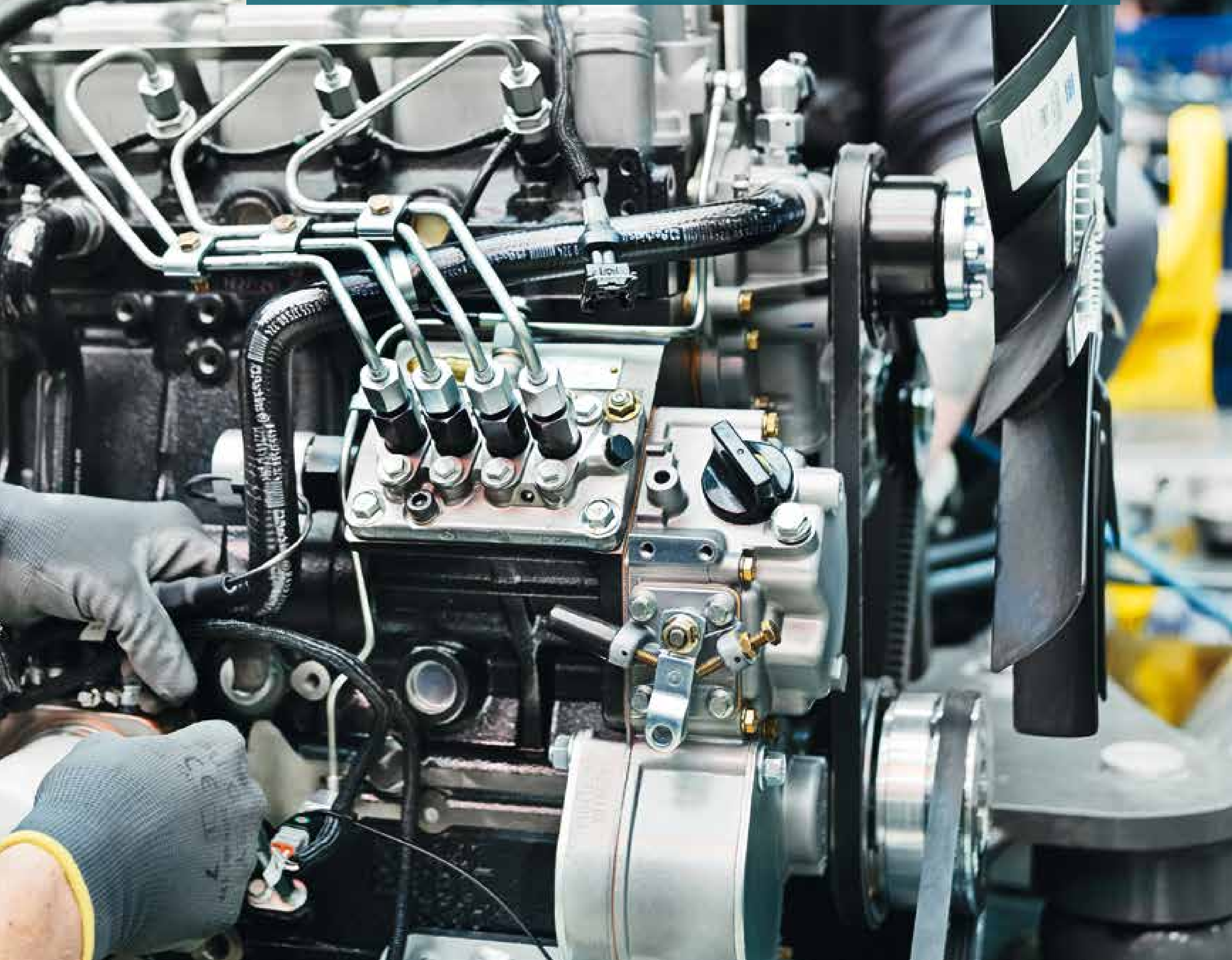
EUROPE REGION

European construction equipment manufacturers already produce the cleanest and safest machinery in the world. However, delivering the next generation of all machine types to the market in time will remain a complex challenge. In September 2016, the EU approved a further tightening of emissions legislation, with introduction of the next emissions standard (V) agreed for 2019/2020. In addition, emissions legislation is, unfortunately, not harmonized at a global level. Most construction equipment manufacturers are currently spending the bulk of their R&D resources on meeting regulatory requirements, in particular emissions-reduction technology, and have been doing so for the past decade.

[1] The Committee for European Construction Equipment (CECE) works on a range of topics of key importance to the construction equipment sector. These include machine safety issues, industry and environmental policy and foreign trade. The CECE formulates its positions on these issues through a number of working groups comprising experts from national member associations and companies.

Strict emissions regulations

Development, production and logistics processes for diesel engines, such as those used in compact equipment, are becoming increasingly complex due to new emissions regulations, and the lack of harmonization between Europe and the US, where the threshold for particulate and nitrogen oxide emissions will soon be almost zero. The situation is further compounded by the lack of regulation in many emerging markets. For each compact machine it launches, Wacker Neuson has to plan and develop up to three model versions with different engines and exhaust gas treatment systems. These versions also have modified drive technologies and different electrics, electronics and software. This level of complexity increases R&D costs enormously. Building multiple versions also increases inventory and ties up additional capital. The higher cost per machine has to be offset with performance and fuel efficiency gains.



Our achievements in 2016

Despite all the challenges that marked 2016, we initiated numerous change processes during the year and are proud to report many successes. We made targeted efforts to reduce the return on capital employed to generate revenue by decreasing light and compact equipment inventory. We also improved free cash flow, extended our international reach and increased our global production capacity. Production of skid steer loaders got underway in the US. Now that the initial teething problems have been resolved, we expect this to have a positive impact on revenue and earnings in the long term. In addition, we continued to standardize processes across all areas of the company – a move that will pay dividends in future. Furthermore, we are driving forward our innovative product developments and already setting benchmarks across the entire industry with the ongoing expansion of our zero-emissions product line. Last but not least, we continue to strengthen our brands through clearer identification of our products. We already unveiled the new branding concept at the world's largest tradeshows in 2016.

IMPRESSIVE VISITOR NUMBERS AT BAUMA, THE WORLD'S LARGEST CONSTRUCTION EQUIPMENT TRADESHOW (HELD EVERY THREE YEARS IN MUNICH)

3,426
exhibitors from 58 countries

5,380 m^2
exhibition space

around 580,000
visitors from 200 countries

Wacker Neuson and Kramer

> 250
machines on show

> 50
new products and models

EXPANSION OF THE ECO[1] SERIES

>50 %
RISE IN REVENUE
relative to previous year

[1] ECO stands for **ECOlogy** and **ECOnomy**. The ECO seal is awarded to machines that are particularly economic and environmentally friendly.

EXPANSION OF PRODUCTION CAPACITY

+2 PRODUCTION SITES

Brazil (2016)

China (scheduled for 2018)

REVENUE GROWTH IN EUROPE

4% increase in Europe relative to previous year to

€ 1,020.7 m

2016

INCREASE IN FREE CASHFLOW

61% increase relative to previous year to

€ 28.7 m

2016

Networking hub for the construction industry

The world's largest construction equipment tradeshow, bauma, is an innovation and networking hub for the entire industry. This event is held in Munich every three years and attracts more than 3,000 exhibitors who showcase their innovations to over 500,000 visitors from all over the globe. Once again in 2016, the Wacker Neuson Group demonstrated its innovative capabilities through a broad range of Wacker Neuson- and Kramer-branded products, impressing industry experts over an area of 5,300 square meters. In November 2016, we also attended bauma China in Shanghai. Here, we impressed industry experts from across Asia with our range of light and compact equipment tailored to local market needs.

ALEXANDER GRESCHNER
CSO OF WACKER NEUSON SE

EUROPE REGION

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bauma is an important platform for us to engage one-on-one with our customers, present new solutions and find out more about industry trends. The exhibition is quite rightly seen as a barometer for the entire industry, and we are very satisfied with our performance at the 2016 show. We welcomed 15 percent more visitors to our stand relative to 2013. Once again, we noticed a positive impact on European business, concluding more contracts than expected during and after the exhibition. And we are proud to have presented the most innovative product of the entire tradeshow: The Kramer 5055e electric wheel loader received the bauma Innovation Award. Our battery-powered rammer also won the BG Bau Euro Test Award.

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CHRISTIAN CHUDOBA
MANAGING DIRECTOR
WACKER NEUSON GMBH, AUSTRIA

CENTRAL EUROPE REGION

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We recently held the ground-breaking ceremony for our new branch in Stetten/Korneuburg (Austria). This spacious, modern site will bring us even closer to our customers. We will offer an extensive portfolio of services here, spanning the sale of new and used products, equipment rental, repairs, maintenance and financing solutions. Our extensive network of branch offices means that our customers can always reach us quickly and easily, and rely on a rapid, flexible response – no matter what they need. So customers can drop off equipment to be repaired by our highly qualified service engineers, for instance, or ask our mobile service engineers to call by.

"

REVENUE GROWTH IN CENTRAL EUROPE

One-stop provider

The Wacker Neuson Group uses a number of different sales channels to distribute its products, spare parts and services. These include direct sales channels with the Group's own sales and service stations (Central Europe) as well as dealers, importers and rental firms (worldwide). The Group's extensive offering combining services with equipment rentals and sales, backed by outstanding quality, speed and reliability, paid dividends again in 2016, with Wacker Neuson seeing business grow in Germany, Austria and Switzerland. This depth and range is a key success factor in Europe.

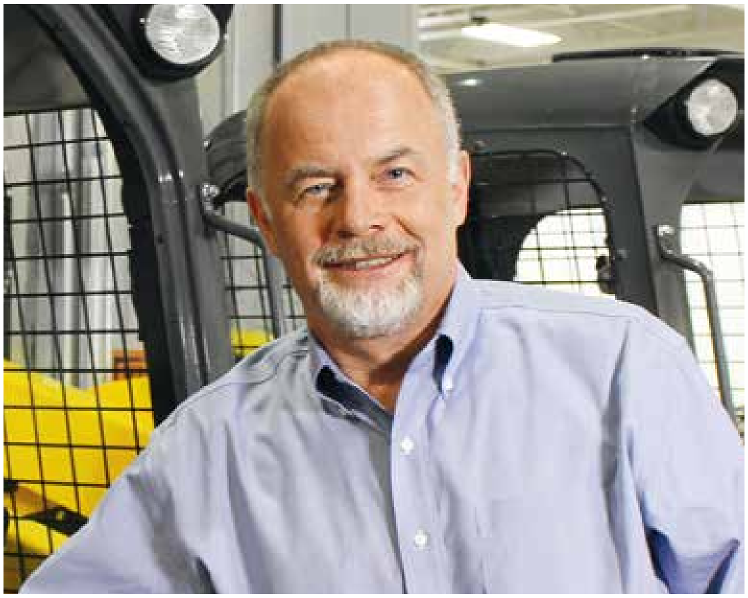
Zero emissions = clean air

Wacker Neuson is leading the industry with its range of zero-emissions products. The Group's electric wheel loaders, dumpers, skid steer loaders and battery-powered rammers deliver outstanding protection for operators and the environment. As a result, they can be used in entirely new areas of application, for example, in closed rooms and poorly ventilated areas. These machines proved the perfect solution for the refurbishment of the Olympic swimming pool in Munich, Germany. The project was undertaken by the KARL Group, and the company had to carry out the work while the swimming area stayed open to the public.

TAMARA ZETTL
CONSTRUCTION SITE MANAGER AT THE KARL GROUP, WACKER NEUSON CUSTOMER

EUROPE REGION

“This refurb project was a particular challenge in one key area: we had to work without producing any emissions – but we still had to keep to the agreed timelines and budget. Without equipment from Wacker Neuson, we would have had to carry out a lot of the work by hand. The WL20e electric wheel loader alone enabled us to make time savings of 50 percent. The machine was the perfect fit for confined spaces. I was really surprised by its power. We couldn't find any difference between it and its diesel-powered counterpart. We used the 803 dual-power mini excavator for the demolition work. Once our team had tried it, they didn't want to give it back again.”



JOHANNES SCHULZE VOHREN
REGIONAL PRESIDENT NORTH AMERICA
WACKER NEUSON

GLOBAL

Personally, I am really excited with how we have made the brand more visible on construction sites with the new branding concept. I am confident that this will help boost brand awareness significantly in a very short space of time. It also underscores the products' outstanding quality and the innovative drive behind the brand. It's a real eye-catcher.

An eye-catching brand

The Group has launched a new product branding concept that will make the brand even more visible on construction sites in future. The new concept will be gradually rolled out to all Wacker Neuson branded products. Going forward, the eye-catching logo will be the dominant brand element on these machines – as visitors to bauma already discovered.

SKID STEER AND COMPACT TRACK LOADER PRODUCTION IN THE US

Moving forward

North America is the largest market for skid steer loaders worldwide, with over 70,000 units sold each year. Through the local development and production of this product group, Wacker Neuson is looking to extend market reach in the US in future. Relocation of skid steer loader production from Austria to North America was an important step for the Group in achieving this goal. Flanking this move, efforts in 2016 focused on establishing new supplier relationships, recruiting employees with experience in this field and delivering multiple training courses for its own sales and service teams and for its dealer network. In 2017, attention will shift to marketing and distribution.

TROY GABRIEL, CEO
FRANKLIN EQUIPMENT
WACKER NEUSON DEALER

NORTH AMERICA REGION

“We are delighted that Wacker Neuson is now developing and manufacturing skid steer loaders in the largest global market for this product category. It ensures that the requirements of end users can be effectively channeled into product development and we can respond rapidly to our customers’ requests. We are working very closely with our Wacker Neuson peers here on the ground and truly value this direct contact. It really sets Wacker Neuson apart from other manufacturers. The new medium-frame skid steer loader series will be officially unveiled in March 2017 at ConExpo in Las Vegas. We had a preview of these machines at a major dealer summit in fall last year and were extremely impressed. We can’t wait to show them to our customers.”

Looking to the future

The projects and measures that we have implemented and initiated thus far confirm that we are on the right track. We remain committed to our GIPI corporate strategy and will continue to align our initiatives in the long term with the four central pillars of Growth, Internationalization, Professionalization and Integration. Within the framework of this strategy, we will continue to implement changes to create the best possible conditions for growth as we move forward. We remain committed to extending our international reach, optimizing processes and driving forward standardization across the Group. We continue to place great importance on innovation when developing new products. Strategic steps such as our new production plant in Brazil and, in future, the new site in China as well as the consolidation of our spare parts service for all compact equipment sites in Europe at a central warehouse in Nuremberg, Germany, the digitization of processes and products along the entire value chain and the launch of a new eCommerce platform will pay dividends for our customers and our company, especially as we look to the future.

The following pages contain the mid- and long-term goals of our growth and expansion strategy.

POSITIVE FORECAST FOR 2017

EBIT margin[1]

7.5–8.5%

(+1–2 pp relative to prev. year)

Revenue

€ 1.40–1.45 bn

(+3–7%)

[1] Based on operative earnings, not including one-off earnings from a possible transaction relating to a real-estate company in the Group. For more information, refer to item 26 in the Notes to the Consolidated Financial Statements. page 161.

EXPAND MARKET LEADERSHIP IN EUROPE AND NORTH AMERICA

ACQUISITIONS AND STRATEGIC ALLIANCES

CONTINUED INTERNATIONAL EXPANSION, FURTHER PROFITABLE GROWTH

>€ 2 bn

Medium-term revenue goal

EBIT margin ≥ 9%
40% revenue outside of Europe
(2016: 25%)

ACTIVITIES ALIGNED WITH STRATEGIC PROGRAM: OUR "GIPI" VISION

1. Growth

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

2. Internationalization

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

3. Professionalization

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

4. Integration

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

Growth strategy for mature markets

- Product development tailored to target groups, focus on ECO products
- Defend and expand market position
- Proactive cross-selling
- Further market penetration
- Diversification across target markets
- Central logistics structure (EU) for spare parts to lay the foundation for a proactive aftermarket business
- Build-out and international expansion of e-business

REVENUE FORECAST FOR MATURE MARKETS 2017/2018

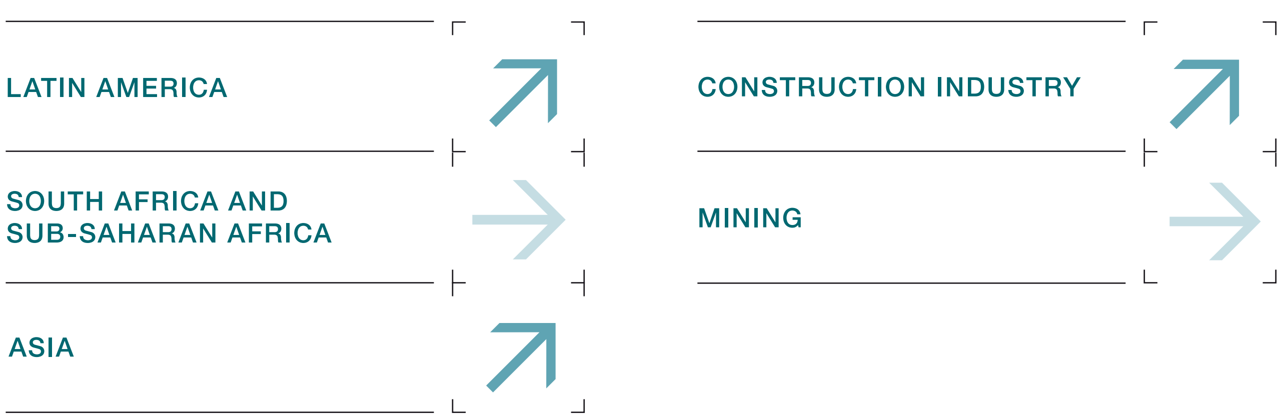
EUROPE	↗
NORTH AMERICA	↗
AUSTRALIA	↗

AGRICULTURE	→
CONSTRUCTION INDUSTRY	↗
OIL AND GAS INDUSTRY	→
GARDENING AND LANDSCAPING	↗

Expansion strategy for emerging markets

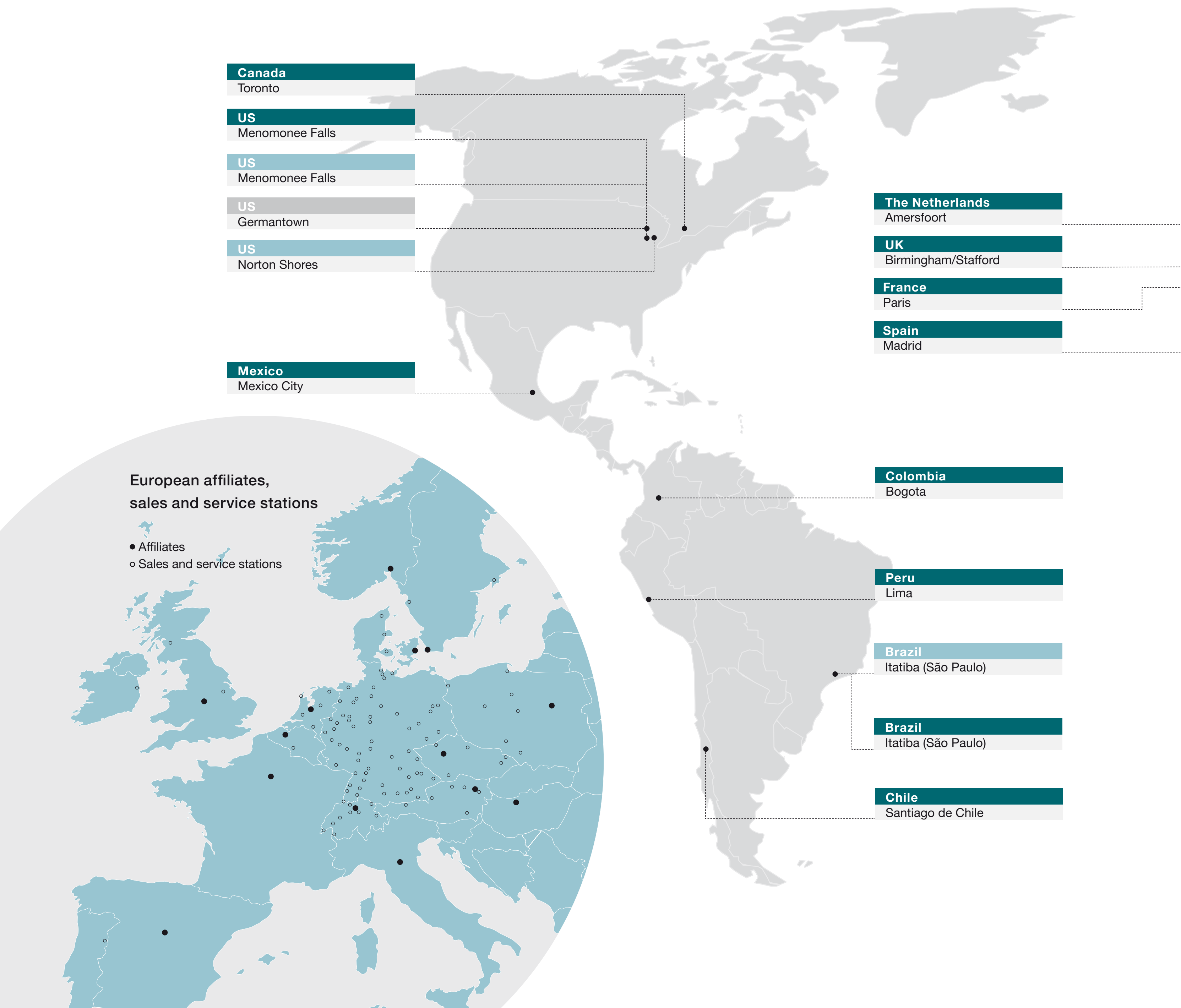
- Products tailored to local markets
- Local procurement and production
- Expand local/regional presence in sales/service
- Targeted acquisitions and alliances
- Diversification across target markets

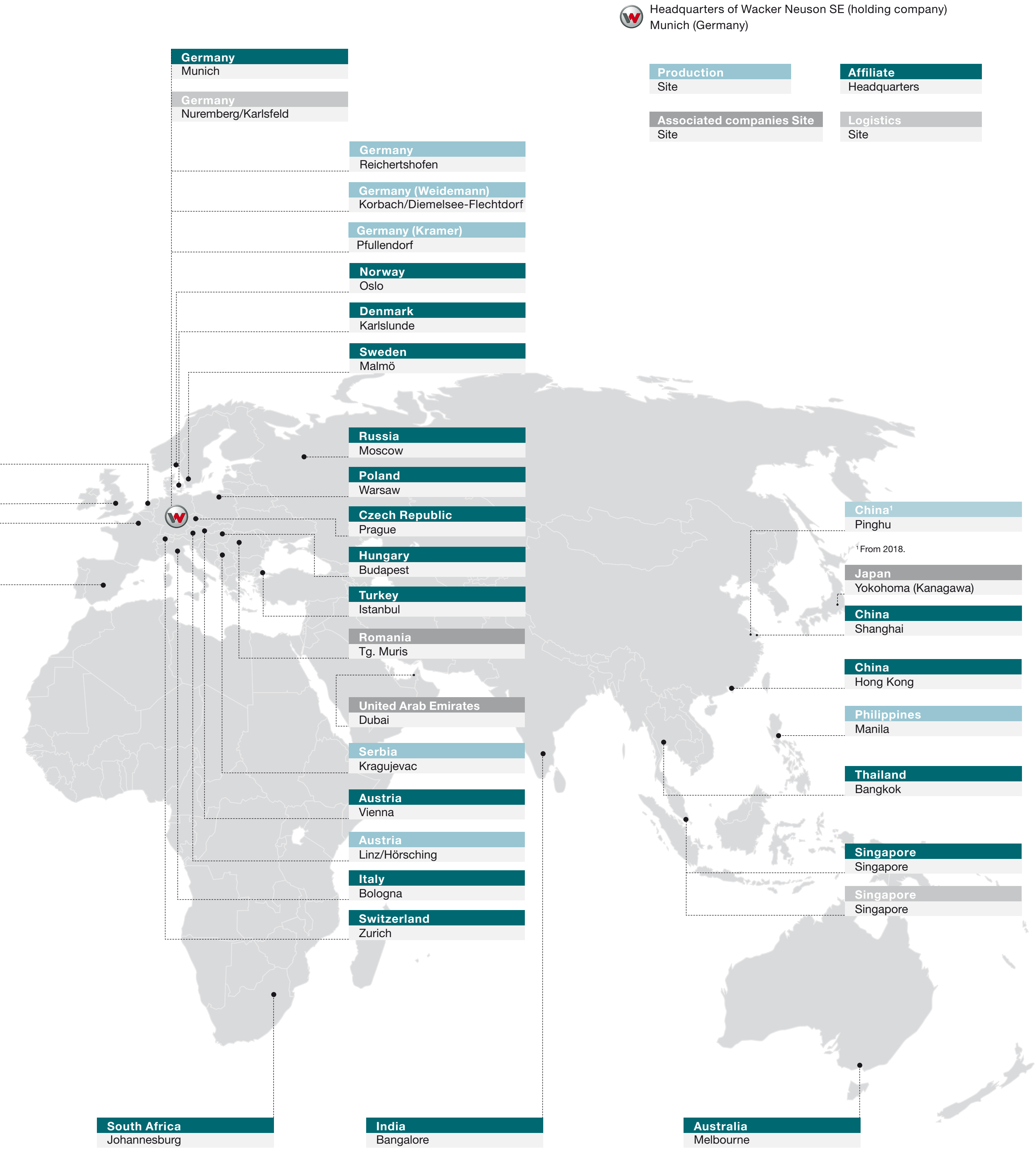
REVENUE FORECAST FOR EMERGING MARKETS 2017/2018



The Wacker Neuson Group: Around the World

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

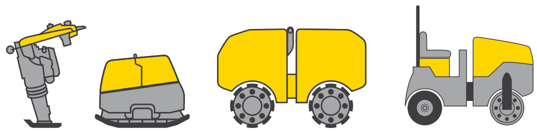



Headquarters of Wacker Neuson SE (holding company)
Munich (Germany)
Production
Site
Affiliate
Headquarters
Associated companies Site
Site
Logistics
Site
Germany
Munich
Germany
Nuremberg/Karlsfeld
Germany
Reichertshofen
Germany (Weidemann)
Korbach/Diemelsee-Flechtdorf
Germany (Kramer)
Pfullendorf
Norway
Oslo
Denmark
Karlslunde
Sweden
Malmö
Russia
Moscow
Poland
Warsaw
Czech Republic
Prague
Hungary
Budapest
Turkey
Istanbul
Romania
Tg. Muris
United Arab Emirates
Dubai
Serbia
Kragujevac
Austria
Vienna
Austria
Linz/Hörsching
Italy
Bologna
Switzerland
Zurich
China[1]
Pinghu
[1] From 2018.
Japan
Yokohoma (Kanagawa)
China
Shanghai
China
Hong Kong
Philippines
Manila
Thailand
Bangkok
Singapore
Singapore
Singapore
Singapore
South Africa
Johannesburg
India
Bangalore
Australia
Melbourne

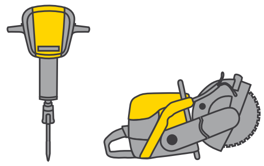
Our Philosophy: Process Know-How

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

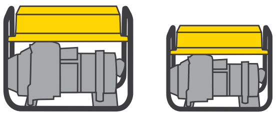
LIGHT EQUIPMENT



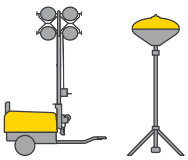
COMPACTION



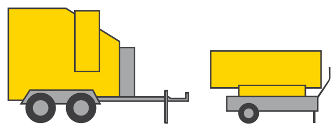
DEMOLITION



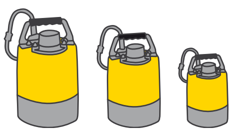
GENERATORS



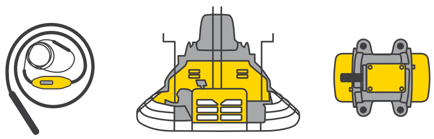
LIGHTING SYSTEMS



HEATERS



PUMPS



CONCRETE TECHNOLOGY

SERVICES[1]

REPAIR & MAINTENANCE

RENTAL

USED EQUIPMENT

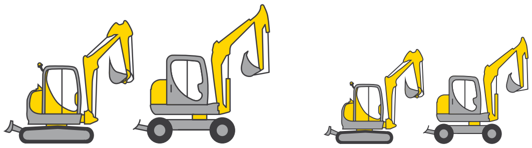
FINANCING

E-STORE

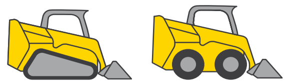
The technical glossary contains more detailed information on exact areas of deployment. → Page 170

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

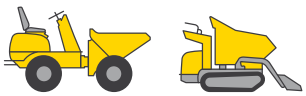
COMPACT EQUIPMENT



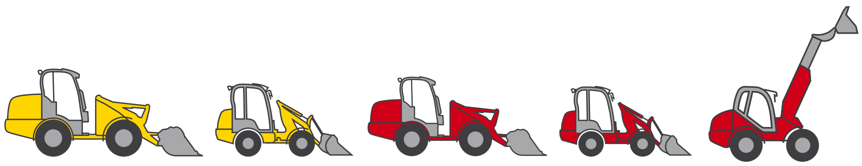
EXCAVATORS



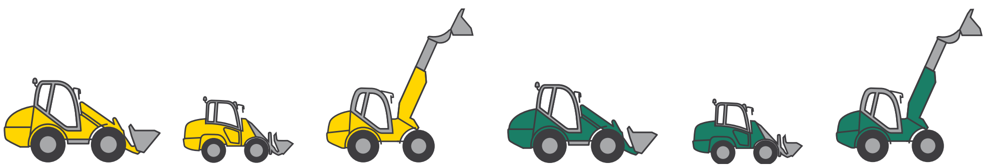
SKID STEER LOADERS



DUMPERS



ARTICULATED WHEEL AND TELE WHEEL LOADERS



ALL-WHEEL-DRIVE WHEEL AND TELE WHEEL LOADERS

TELESCOPIC HANDLERS

ACADEMY

CONCRETE SOLUTIONS

TELEMATICS

GENUINE PARTS

Our Share in 2016

The German stock market performed well overall in 2016 despite getting off to a slow start. With a gain of over 8 percent, the Wacker Neuson share outperformed its German benchmark indexes but lagged somewhat behind its international peer group.

Share and index information

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

Stock market trends in 2016

While activity was somewhat less volatile than in previous years, 2016 was still a year of mixed fortunes for the international stock markets. Aside from global factors like general economic indicators, the monetary policy pursued by the leading central banks and fluctuations in oil and raw material prices, regional events and developments also influenced the performance of individual stock exchanges.

The German stock market performed well overall in 2016 despite a sluggish start. In the first six weeks of the year, the continued decline in the price of oil and subdued economic signals from China saw Germany's main share index, the DAX, get off to its worst start in 25 years. The historic decision of the European Central Bank (ECB) to lower its key interest rate to 0 percent for the first time and extend its bond buying program to corporate bonds marked a turnaround in March. At the end of June, the shock Brexit vote in the UK caused shares to tumble, though this was short-lived. The equally unexpected election victory of Donald Trump in November and the associated uncertainties about the future political direction of the United States barely affected the German indexes in their year-end rally. The DAX managed to finish the year up 6.9 percent while the SDAX closed the year with a more modest increase of 4.6 percent.

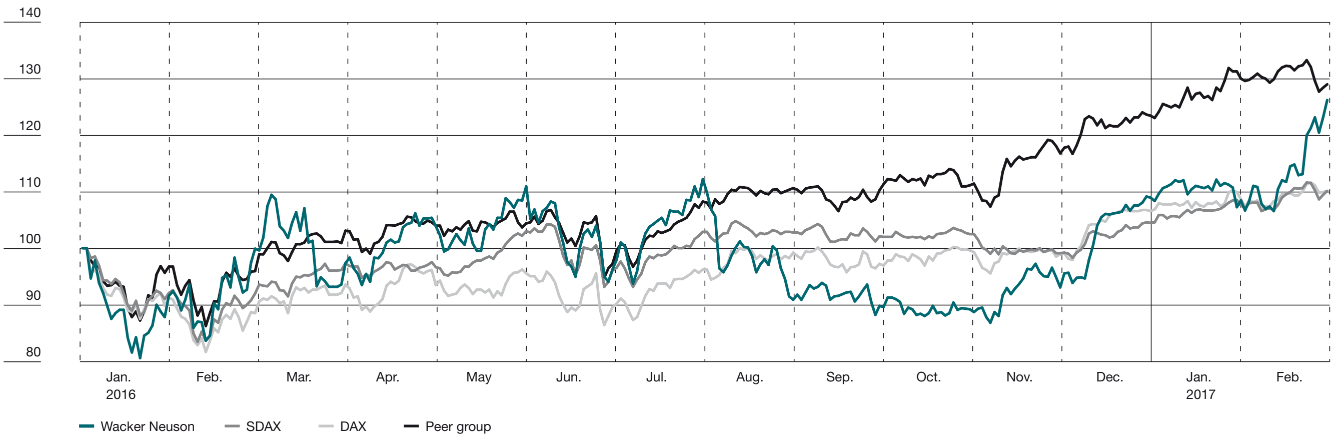
The German indexes finished around mid-table in the performance ranking of the main stock markets. The Dow Jones Industrial in the US and the UK's FTSE 100 Index both recorded double-digit increases. By contrast, the mainland China stock exchanges of Shanghai and Shenzhen were unable to fully recover from their start-of-year meltdowns – both suffered year-end losses of more than 11 percent.

The Wacker Neuson share

From the company's perspective, 2016 was a satisfactory year for the Wacker Neuson share, gaining over 8 percent overall in value over the year. After starting the year at EUR 14.23, the share suffered significant losses up until mid-February against the backdrop of a weak overall market. The share hit its low for the year of EUR 11.44 on January 20. This was followed by a quick recovery and then a relatively flat path with slight fluctuations from early March to late July. The share reached its high for the year on July 29 at EUR 15.98. The market reacted swiftly to the lowering of the annual forecast announced at the start of August, with the share price suffering sustained losses up until early November. Positive Q3 figures caused the share to rally again towards the end of the year, however, significantly outperforming the market as a whole in the final weeks of 2016. On December 30, the share closed at EUR 15.42. It outperformed its DAX and SDAX benchmark indexes over the course of the year.

SHARE PRICE TRENDS JAN. 1, 2016 – FEB. 28, 2017

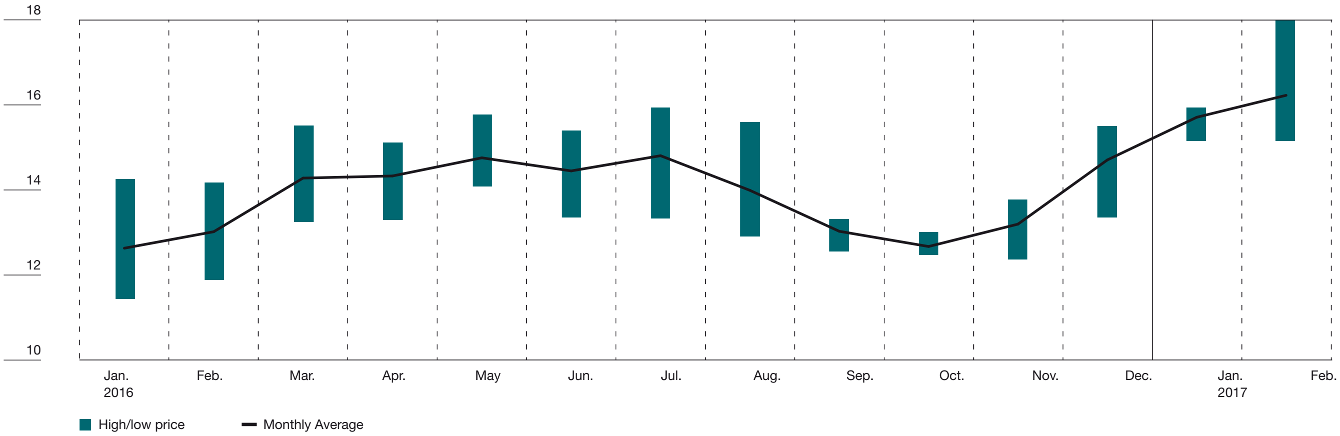
IN %



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

MONTHLY HIGHS, LOWS AND AVERAGES FOR WACKER NEUSON SHARE JAN. 1, 2016 – FEB. 28, 2017

IN €



KEY INDICATORS FOR THE WACKER NEUSON SHARE

IN €

	2016	2015
High	15.98	24.60
Low	11.44	11.12
Average	13.84	17.76
Year-end	15.42	14.23
Average daily trading volume in shares[1]	56,480	82,408
Earnings per share[2]	0.81	0.94
Book value per share[2]	15.50	15.17
Dividend payment proposed[2,3]	0.50	0.50
Payout ratio as a %[4]	53.0	38.3
Market capitalization at year-end in € million	1,081.6	998.1

[1] Day trading: on XETRA.
[2] 70,140,000 shares.
[3] The Dividend payment to be proposed at the AGM on May 30, 2017 will be EUR 0.50 again (payout ratio: 61.7%).
[4] As a % of Group profit for previous year.

SHARE FACTS AT A GLANCE

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

On March 1, 2017, the share price stood at EUR 18.24, which corresponds to a gain of 18 percent since the start of the year and a market capitalization of EUR 1,279.4 million.

Performance of construction and construction supplier shares

The chart above shows how the Wacker Neuson share performed in relation to its peer group as a whole since the start of 2016. The index includes French companies Manitou, a telescopic handler manufacturer, and Haulotte, a lifting equipment specialist; Austrian crane and hydraulic lifting systems manufacturer Palfinger; the American construction equipment manufacturers Caterpillar and Terex; North European rental companies Ramirent and Cramo; the Swedish industrial company Atlas Copco; and German companies Bauer, specialist in underground construction, and Deutz for engines targeted also at the construction equipment industry. While the performance of the Wacker Neuson share largely mirrored that of its peer group up until the end of July, the publication of the half-year report with its annual forecast adjustment changed the course of events. While other companies in the sector announced much greater falls in revenue and earnings during fiscal 2016, the Wacker Neuson share still lost considerable ground relative to its peers by the close of the year.

General meeting and dividends

The Annual General Meeting of Wacker Neuson SE took place in Munich on May 31, 2016. 269 shareholders with 58,017,324 voting rights were represented. Based on a share capital of 70,140,000 shares, this corresponds to 82.72 percent of shareholders.

The AGM approved the proposal to pay out a dividend of EUR 0.50 per share for 2015 (previous year: EUR 0.50). This represented a total payout of EUR 35.07 million. The distribution ratio thus panned out at around 53.0 percent based on Group profit for the year of EUR 66.2 million. In what proved to be a difficult fiscal year, this was in line with the long-term dividend policy pursued by the Supervisory Board and the Executive Board, which defines a minimum distribution ratio of 30 percent of Group profit.

At the AGM on May 30, 2017, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.50 for 2016. This would correspond to a payout ratio of around 61.7 percent based on 2016 Group profit for the year of EUR 56.8 million.

Ownership structure

As of the closing date of December 31, 2016, 63.1 percent of the share capital was held by a consortium made up of the Wacker and Neunteufel families (for information regarding the consortium and pool agreement, see → page 106 ff. The Executive Board of Wacker Neuson SE held a further 0.5 percent of the share capital. The remaining shares are held by private and institutional investors. To the best of the Group's knowledge, the majority of its shares (free float) – 66 percent – are held by German investors.

SHAREHOLDER STRUCTURE

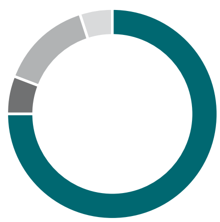
AS A %

33	Share consortium (Wacker family share)[1]
30	Share consortium (Neunteufel family share)[1]
0.5	Wacker Neuson Executive Board
36.5	Private and institutional investors[2]

As of December 31, 2016.
Differences attributable to rounding. Share capital/number of shares: 70.14 million.
[1] See information on consortium and pool agreement (p. 106 ff.).
[2] Including shares held by the Wacker and Neunteufel families outside of the consortium.

GEOGRAPHIC DISTRIBUTION OF PRIVATE AND INSTITUTIONAL INVESTORS (FREE FLOAT)

AS A %



75	Germany
6	Austria
14	Europe (rest of Europe)
5	USA (and rest of World)

As of December 31, 2016.
Differences attributable to rounding. Share capital/number of shares: 70.14 million.

ANALYST RECOMMENDATIONS

NAME OF BANK

	Target price in €	Buy	Hold	Sell	Date
Bankhaus Lampe	€ 18.00		■		Feb. 22, 2017
Deutsche Bank	€ 11.00			■	Nov. 10, 2016
Kepler Cheuvreux	€ 11.00			■	Jan. 17, 2016
Mean target price	**€ 13.33**				

As of March 1, 2017.

Strong relationships – proactive communication

Maintaining good relationships and regular contact with private shareholders, institutional investors, analysts and other stakeholders is essential to give market players the information they need to realistically assess and evaluate the Wacker Neuson share and its development. To ensure this, the Executive Board and the Investor Relations team again actively briefed capital market players at the AGM and, above all, at various investor conferences and roadshows in Germany and abroad during 2016. Communications focused on giving analysts and investors detailed insights into the Group's markets, business, strategic aims and developments in these areas.

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

The Group's stakeholders are increasingly interested in Wacker Neuson's approach to sustainable business practices. Accordingly, the Group regularly publishes information on key sustainability topics and indicators in the form of reports and fact books. You can learn more about the Group's activities in this area in the Sustainability section on → page 87 of this annual report.

Analyst recommendations

Three analysts regularly evaluate the Wacker Neuson share. Exane BNP Paribas and Steubing AG discontinued their coverage during the year under review. Like many other small cap companies, therefore, Wacker Neuson SE saw a fall-back in its coverage. The Group expects to see Berenberg resume its coverage in 2017. As at the March 1, 2017 cut-off date, one analyst was recommending "hold" for our share and the other two were recommending "sell". The mean target price was EUR 13.33 and the recommendations ranged from EUR 11.00 to EUR 18.00.

According to the analysts, the Wacker Neuson Group faced the following opportunities and risks at the start of 2017:

Opportunities

- Strong brand awareness
- Innovation and market leadership in light and compact equipment
- Global trend towards more compact, fuel-efficient equipment
- Products tailored to target groups and markets
- Increased presence in the emerging markets, in particular in South America, Eastern Europe, Russia, China and India
- Sales synergies for compact equipment through existing international sales network
- Diversification of target markets

Risks

- Dependence on global economic cycles
- Dependence on changes in raw material prices
- Low level of visibility over demand in core target markets (construction and agriculture)
- Heightened price and competitive pressure
- Higher demands imposed by emissions legislation and increasingly stringent legislative requirements
- Volatility of revenue and earnings generated through strategic alliances

Report by the Supervisory Board

Dear Ladies and Gentlemen,

At EUR 1.36 billion, the Group was able – despite difficult market conditions – to at least match last year's revenue adjusted to discount currency effects. We would like to thank our people for helping us achieve this result. Their dedication and willingness to assume responsibility was a great support to company management. There are currently many signs indicating that 2017 will develop more positively for our company.

Hans Neunteufel
Chairman of the Supervisory Board

Cooperation between the Supervisory Board and Executive Board

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

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

Members of the Executive Board regularly took part in Supervisory Board meetings. When necessary, the Supervisory Board and its committees also convened without the Executive Board. Once again, all Supervisory Board members attended more than half of the Supervisory Board Meetings in fiscal 2016.

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

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

Main topics of Supervisory Board meetings in fiscal 2016

Seven plenary Supervisory Board meetings were held in fiscal 2016. The Presiding Committee met five times and the Audit Committee met on six occasions. In three cases, the Supervisory Board voted by means of a written resolution.

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

At the meeting on March 9, 2016, the Supervisory Board focused exclusively on Executive Board matters.

At the Supervisory Board meeting to approve the financial statements on March 10, 2016, and following appropriate preparations by the Audit Committee, the Supervisory Board focused on examining the Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report of Wacker Neuson SE and the Wacker Neuson Group, as well as related party disclosures for fiscal 2015. In its session immediately before the Supervisory Board meeting, the Audit Committee discussed these documents in detail with the Executive Board, raising numerous questions with the auditing company representative present at the meeting, and discussing these issues at length. This was done in addition to the Supervisory Board's regular examinations as part of its own preparation for the meeting to approve the financial statements. The Annual and Consolidated Financial Statements along with the Combined Management Report and the appropriation of net profit suggested by the Executive Board were approved. The Supervisory Board also ratified the AGM agenda and the Supervisory Board report. In addition, this meeting focused on the declaration on corporate governance, an assessment of the Supervisory Board efficiency audit, information on collaborations and the new production facility planned for China.

On May, 10, 2016, the Supervisory Board discussed at length the forthcoming quarterly report and the reporting process for the Supervisory Board. A report was also made on the status of production in Brazil. A resolution regarding the construction of a production facility and the foundation of an affiliate to this end in China was also on the agenda.

The meeting held on July 29, 2016 focused on the forthcoming publication of the half-year report for 2016 as well as the resolution for availing of certain balance sheet exemptions for various affiliates and the company's obligation to carry the associated loss. In addition to this, a report was made on the planned production facility in Pinghu (China) and on progress made in the initiative to centralize European spare parts logistics. The Supervisory Board also discussed in detail real estate projects in the Group.

The Supervisory Board focused exclusively on discussing the corporate strategy with the Executive Board in its meeting held on October 12, 2016.

The meeting held on November 19, 2016 primarily focused on the current business situation and the publication of the pending quarterly report. The Supervisory Board also approved the financing plan for 2017 presented by the Executive Board. In addition, the Supervisory Board discussed various Executive Board matters including possible liability claims vis-a-vis former members of the Executive Board.

During its meeting on December 15, 2016, the Supervisory Board focused on examining the Executive Board's business plan for fiscal 2017. Supervisory Board members not only assessed the plan, but also discussed the associated opportunities and risks in detail with the Executive Board, taking the unpredictable global economic climate into consideration. The submission of the updated declaration of compliance with the German Corporate Governance Code was also on the agenda.

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

Work performed by the Supervisory Board committees in fiscal 2016

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

In a telephone meeting held on February 22, 2016, the Supervisory Board Audit Committee received an interim report submitted by the auditor detailing the progress of the audit. It also discussed the risk report for the fourth quarter with the Executive Board.

At a meeting on March 10, 2016, the Supervisory Board's resolution on the adoption of the Annual Financial Statements and approval of the Consolidated Financial Statements for the year ending December 31, 2015 were prepared. The independence and appointment of an auditor were discussed, and a recommendation in that regard was made to the Supervisory Board plenary meeting. The Supervisory Board, in turn, followed this recommendation and proposed the same auditor at the AGM. The internal audit and compliance officer reports relating to the previous fiscal year were also on the agenda.

At the meetings held on May 10, July 29 and November 9, the Audit Committee primarily dealt with the publication of the pending quarterly financial reports. It additionally focused on the work performed by the internal audit department and issues relating to compliance. Furthermore, the committee looked at various matters relating to finance, controlling and risk management.

The meeting held on December 15, 2016 looked at the new European and German directive on reforming the auditing process and a resolution was passed regarding the provision of certain non-auditing services by the auditor in fiscal 2017.

In five meetings held on February 10, March 1, July 29, November 8 and November 30, 2016, the Presiding Committee focused on various Executive Board matters and prepared corresponding resolutions for the Supervisory Board.

Changes in the composition of the executive bodies

At the close of December 31, 2016, Mr. Günther C. Binder stepped down from his position as Chief Financial Officer (CFO). The Supervisory Board is extremely grateful to Mr. Binder for his many years of dedication and the contribution he made to the Group's successful development, and wishes him all the best for the future. On January 1, 2017, Mr. Wilfried Trepels was appointed the new CFO of the Wacker Neuson Group. In this role, Mr. Trepels is also responsible for controlling, Group auditing and IT.

Mr. Jan Willem Jongert took on the role of Chief Sales Officer of Wacker Neuson SE on April 1, 2016. At the close of the reporting period, however, he and the Supervisory Board reached a mutual agreement for Mr. Jongert to leave the company. This amicable separation is the result of a difference in opinion over the implementation of the Group's existing sales strategy. Mr. Jongert stepped down from his position on January 9, 2017. On January 10, 2017, Mr. Jongert was succeeded by Mr. Alexander Greschner. In his new role as Chief Sales Officer (CSO), Mr. Greschner is also responsible for the global sales, service, logistics and marketing activities of the Wacker Neuson Group.

Risk assessment and compliance

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

Corporate governance

Both the Supervisory Board and the Executive Board are aware that sound corporate governance is essential to protect shareholder interests and secure the company's long-term success. The Supervisory Board continuously monitored the further development of the German Corporate Governance Code and kept up to date with the capital market and corporate legislative framework. The Executive Board and Supervisory Board issued an updated declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG during the period under review on December 15, 2016. The entire declaration is permanently available on the company's website and is also included in the declaration on corporate governance pursuant to Section 289a of the German Commercial Code (HGB) which can be found online and in the annual report.

Annual and Consolidated Financial Statements for 2016

At the AGM on May 31, 2016, the auditing company Ernst & Young GmbH, Stuttgart, was appointed auditor for the company and Group for fiscal 2016. The Chairman of the Audit Committee engaged the company in writing with the task of auditing the accounting procedures. Before the Supervisory Board made its proposal to the AGM, the auditing company confirmed in writing to the Chairman of the Audit Committee that it is not aware of any circumstances that could compromise its independence as an auditor.

The Annual Financial Statements for the year ending December 31, 2016 were prepared by the Executive Board in accordance with the German Commercial Code (HGB). The Consolidated Financial Statements for the year ending December 31, 2016 were prepared by the Executive Board in line with the International Financial Reporting Standards (IFRS) as adopted in the EU and in supplementary compliance the regulations under German commercial law pursuant to Section 315a HGB. The auditing company Ernst & Young GmbH, Stuttgart, audited both sets of statements along with the books and approved them without qualification.

Each member of the Supervisory Board received the audit documents for appraisal in good time. Together with the Audit Committee, the entire Supervisory Board undertook a thorough examination of the Annual Financial Statements as well as the Consolidated Financial Statements, the Combined Management Report for the company and the Group and the related party disclosures in conjunction with the audit reports. The documents were discussed in length at the Audit Committee meeting on March 14, 2017 and at the Supervisory Board plenary meeting of the same date, with the Executive Board and in the presence of the auditor, who reported the main findings of their audit and answered questions from Supervisory Board members. After its own close examination of the documents, the Supervisory Board raised no objections and endorses the results of the audit report. The Supervisory Board also approves the Consolidated (Group) Management Report and, in particular, the forecast regarding the company's further development.

The final examination by the Supervisory Board revealed no grounds for objections. The Supervisory Board therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report prepared by the Executive Board for the year ending December 31, 2016 on March 14, 2017. The 2016 Annual Financial Statements have thus been duly approved. The Supervisory Board also examined the Executive Board's suggested appropriation of profit for fiscal 2016. It did not raise any objections and thus gives it its unqualified consent.

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

The Executive Board prepared a report on related party disclosures for fiscal 2016. This report contains in particular a declaration by the Executive Board about the legal transactions undertaken by Wacker Neuson SE. The Executive Board states that – to the best of its knowledge and based on the information known to the Executive Board at the time the transactions were entered into – appropriate compensation was received in respect of all transactions outlined in the related party disclosures report. Auditing company Ernst & Young GmbH, Stuttgart, examined the related party disclosures report and issued the following auditor's opinion:

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

1. the factual statements contained in the report are correct, and
2. the performance provided by the company in respect of the transactions listed in the report was not unreasonably high."

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

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

Munich, March 14, 2017

Supervisory Board

Hans Neunteufel
Chairman of the Supervisory Board

Corporate Governance Declaration and Report

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

Declaration on corporate governance

In the following statement, the Executive Board reports on the company's corporate governance policies and practices – also for the Supervisory Board. It therefore complies with Section 289a (1) of the German Commercial Code (HGB) and Section 3.10 of the German Corporate Governance Code.

1. Declaration of compliance pursuant to Section 161 AktG

The Executive Board and the Supervisory Board of Wacker Neuson SE consider the German Corporate Governance Code as an important body of regulations. Both executive bodies feel compelled to comply with its principles of responsible, professional and transparent corporate governance. They have therefore thoroughly examined the recommendations of the German Corporate Governance Code and issued the following declaration of compliance on December 15, 2016.

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

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

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

In accordance with Section 161 AktG, the Executive Board and the Supervisory Board of Wacker Neuson SE hereby declare that since the submission of the most recent declaration of compliance of December 9, 2015, the company has complied with the recommendations issued by the German Corporate Governance Code Commission published by the German Federal Ministry of Justice (BMJ) in the official section of the Federal Gazette as amended on May 5, 2015 and continues to comply with the recommendations of the Code as amended on May 5, 2015, with the exceptions listed and explained in more detail below:

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

2. Section 4.2.2 (2) of the German Corporate Governance Code: When setting the overall remuneration payable to individual members of the Executive Board, the Supervisory Board respects legal requirements and further ensures, in particular, that such remuneration is commensurate with each member's responsibilities and performance, as well as with the situation

of the company, and that it does not exceed customary remuneration levels unless there are compelling grounds to do so.

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

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

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

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

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

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

   Here the focus is placed – irrespective of nationality and gender – on the specialist and personal competence of potential candidates, paying special attention to the company-specific situation. Within the scope of evaluating competence, the Supervisory Board also factors in the company's international involvement, potential conflicts of interest, the number of independent members of the Supervisory Board, the age limit stipulated for members of the Supervisory Board and the principle of diversity.

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

   In the Supervisory Board's view, it is still not necessary to specify concrete aims for its composition, which means that the Supervisory Board's goals and progress in achieving those goals – with the exception of satisfying legal requirements arising from the German law governing Equal Participation of Women and Men in Management Positions ("women's quota") – are not published in the corporate governance report either.

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

   The shareholders' Supervisory Board members thus elected are, however, not bound in any way to the directions of individual, several or all of the parties to the pool agreement and any and all decisions they make within the Supervisory Board are made exclusively in the company's interests. Even though these shareholders' Supervisory Board members always enjoy the special trust of the parties to the pool agreement appointing them, they are not, in the Supervisory Board's view, in any personal or business relationship with a controlling shareholder, which could lead to a fundamental conflict of interest. In the view of the Supervisory Board, the shareholder representatives in the Supervisory Board, including the Chairman of the Audit Committee, are therefore to be considered independent. The Supervisory Board is thus composed of a sufficient (in its opinion) number of independent members. Given the ongoing legal uncertainty surrounding interpretation of the term “independence”, the company nonetheless declares non-conformance as a precautionary measure.

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

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

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

Munich, December 15, 2016

Wacker Neuson SE
Executive Board and Supervisory Board

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

2. Corporate governance report

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

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

Executive Board

The Executive Board represents the company towards third parties and manages its business in accordance with legal regulations, the Articles of Incorporation and the rules of procedure for the Executive Board. The Executive Board currently comprises four members. It is responsible for managing the company and represents it both legally and otherwise. The Executive Board functions on the basis of joint accountability. In other words, all members of the Board are jointly responsible for all areas of company management.

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

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

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

Mr. Cem Peksaglam is CEO of Wacker Neuson SE, the parent company of the Group. Mr. Martin Lehner is Deputy CEO. Further details on individual members of the Executive Board, in particular their areas of responsibility within the Executive Board, are disclosed in the Notes to the Consolidated Financial Statements in Section 30 “Executive bodies” (Wacker Neuson Group Annual Report 2016).

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

Supervisory Board

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

The terms of office of all Supervisory Board members run until the close of the AGM that tables a resolution to formally approve the actions taken by the company in fiscal 2019. Their terms may be no longer than six years. Further details on individual members of the Supervisory Board are disclosed in the Notes to the Consolidated Financial Statements in Section 30, “Executive bodies” (Wacker Neuson Group Annual Report 2016).

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

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

Composition and role of committees

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

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

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

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

Further details on the activities of the Supervisory Board and its committees can be found in the current Supervisory Board report (Wacker Neuson Group Annual Report 2016).

Shareholders and the AGM

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

The AGM this year will take place on May 30, 2017 in Munich. The Executive Board makes it easier for shareholders to exercise their voting rights at the AGM by offering the opportunity to delegate binding voting instructions to proxies named by the company. Shareholders can also do this during the AGM. Information on how to vote by proxy will additionally be included in the invitation to the AGM meeting. These named proxies are also available at the AGM to shareholders present at the AGM. Furthermore, it is possible to delegate voting rights to financial institutions, shareholder associations and other third parties.

Accounting and auditing

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

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

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

Risk management

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

Specific details on risk management within the Wacker Neuson Group are disclosed in the risk report in the Combined Management Report (Wacker Neuson Group Annual Report 2016). This also includes a report on the control system and risk management system in relation to the accounting process.

Transparency

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

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

Director's dealings and significant voting interests

In order to ensure compliance with the Art. 19 of EU regulation No 596/2014 on market abuse, or (before this took effect) with Section 15a of the German Securities Trading Act (WpHG; subsequently amended), Wacker Neuson SE publishes reports on directors' dealings pursuant to Section 15a WpHG. We use these reports to provide immediate information about securities transactions with regard to Wacker Neuson shares made by members of the Executive or Supervisory Boards as well as by natural and legal persons closely related to members of these bodies. This information is also disclosed on the company's website → www.wackerneusongroup.com under Investor Relations/Corporate Governance. Also under Investor Relations/IR News, we immediately publish information from shareholders regarding the purchase or sale of significant voting rights in line with Section 21 WpHG and the holding of financial and other instruments in line with Sections 25 and 25a WpHG.

Shares owned by the Executive Board and the Supervisory Board

The total number of Wacker Neuson SE shares held by all members of the Executive Board and Supervisory Board on December 31, 2016 was more than 1 percent of all shares issued by the company. Directly or indirectly, the Executive Board holds around 0.5 percent (348,379 shares) and the Supervisory Board around 37.59 percent (26,367,114 shares) of issued shares.

Remuneration report in the corporate governance Report

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

The overall remuneration of the Executive Board and the Supervisory Board is disclosed in the above-mentioned section and in the Notes to the Consolidated Financial Statements in section 31 "Related party disclosures" (Wacker Neuson Group Annual Report 2016).

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

The German law governing Equal Participation of Women and Men in Management Positions in the private and public sector came into force in Germany on May 1, 2015. Under this law, listed companies such as Wacker Neuson SE that are not subject to full co-determination in accordance with the German co-determination act (Mitbestimmungsgesetz), the co-determination act for companies active in the mining, iron and steel industries (Montan-Mitbestimmungsgesetz), or the co-determination supplementary act (Mitbestimmungsergänzungsgesetz) are obliged to set quotas for women in the Supervisory Board, Executive Board or the two management lines below the Executive Board. The Executive Board and the Supervisory Board have examined this issue in great detail.

When selecting and appointing members of the Executive Board, the Supervisory Board focuses on the qualifications and personal skills of potential men and women candidates, paying special attention to the company-specific situation. In this context, gender does not play a major role in the decision-making process. There are currently no women on the Wacker Neuson SE Executive Board (current percentage: 0 percent). In view of the company's success in recent years, the Supervisory Board places great value on stability and continuity among management ranks and does not wish to be tied by the need to meet quotas for female representation, so it remains free to prioritize qualifications and personal skills as mentioned above. As such, the Supervisory Board has decided to refrain from setting a target percentage for female representation on the Executive Board that would see the number of women rise from the present level by June 30, 2017 (target percentage: 0 percent).

Equally, the Supervisory Board is focused on the qualifications and personal skills of potential men and women candidates when selecting and appointing members of the Supervisory Board, paying special attention to the company-specific situation (petition rights and voting obligations of key shareholder groups governed by a pool agreement). In this context, gender also does not play a major role in the decision-making process. There are currently no women on the Wacker Neuson SE Supervisory Board (current percentage: 0 percent). In 2015, all members of the Supervisory Board were voted in – or reappointed in the case of employee representatives – for a further five-year term. As a result, the Supervisory Board has decided to refrain from setting a target percentage for female representation on the Supervisory Board that would see the number of women rise from the present level by June 30, 2017 (target percentage: 0 percent).

The Executive Board has defined the following targets for the proportion of women appointed to managerial positions at Wacker Neuson SE, which it intends to achieve by June 30, 2017. These targets refer to staff who are directly employed by the company Wacker Neuson SE. The target percentage for line one below the Executive Board is 23 percent (currently 25 percent) and the target for line two below the Executive Board is 20 percent (currently 67 percent).

3. Corporate governance best practices

Compliance – principles of sound business and financial governance

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

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

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

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

Corporate Social Responsibility (CSR)

Through the sustainability management system implemented in 2013, the Wacker Neuson Group is expressing its commitment to balance business interests with a sense of responsibility towards the environment and society as a whole. This professional sustainability strategy means that the Wacker Neuson Group can assess the effects of its value adding processes on the environment and take action to maximize resource conservation. Reducing costs associated with energy consumption and obtaining certification for sites in the European Union in accordance with DIN EN ISO 50001 and DIN EN ISO 14001 are also important aspects of the sustainability strategy. The company additionally reports on its activities in a sustainability report, which it publishes on a regular basis. The strategy is steered and implemented centrally by a Corporate Sustainability Officer and Sustainability Team. Details on sustainability management at the Wacker Neuson Group are available to the public at the following link: → www.wackerneusongroup.com/en/sustainability/

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

Munich, March 14, 2017

Wacker Neuson SE

The Executive Board

Cem Peksaglam CEO	Wilfried Trepels CFO
Martin Lehner CTO (Deputy CEO)	Alexander Greschner CSO

This declaration on corporate governance is permanently available to shareholders on the Wacker Neuson SE website at → www.wackerneusongroup.com under Investor Relations/Corporate Governance. The declaration of compliance will be revised annually. Previous declarations of compliance are stored for reference purposes on our website for a period of at least five years.

Combined Management Report

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

Combined Management Report of Wacker Neuson SE and its Group for Fiscal 2016

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

The Annual Financial Statements of Wacker Neuson SE (which is structured as a holding company) have been prepared in accordance with the provisions of the HGB and the German Stock Corporation Act (AktG). The Management Report of Wacker Neuson SE is included in this Group Management Report in line with section 315 (3) of the HGB; further details are disclosed in the section "Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB)". → Page 73 **The risks and opportunities facing Wacker Neuson SE cannot be differentiated from those facing the Group.**

The Wacker Neuson Group

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

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

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

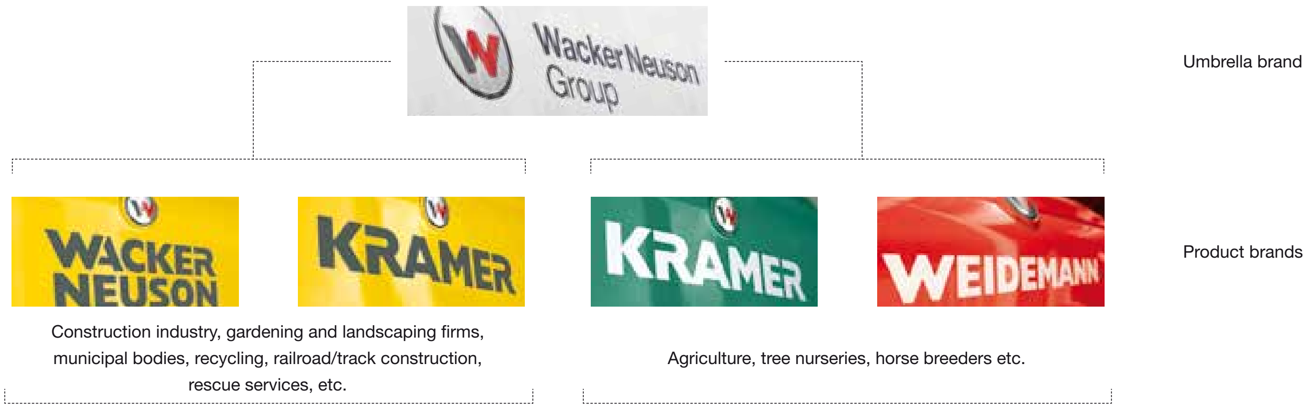
BUSINESS SEGMENTS

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

Brands

WACKER NEUSON GROUP is the organization's umbrella brand, used for all Group-wide communications. The Group distributes its products and services under the three separate brands WACKER NEUSON, KRAMER and WEIDEMANN. The broadest portfolio, light and compact equipment, is distributed worldwide under the WACKER NEUSON brand. Under the KRAMER brand, all-wheel drive wheel loaders, tele wheel loaders and telescopic handlers

GROUP BRANDS



are distributed via an extensive network of dealers serving the construction and agriculture industries. The WEIDEMANN brand is a by-word for longstanding expertise and experience in the agricultural sector. The company uses an international specialist dealer network to distribute its compact, articulated Hoftracs®, wheel loaders, tele wheel loaders and telescopic handlers.

Industries

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

TARGET INDUSTRIES

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

Organizational and legal structure

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

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

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

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

Please refer to the section entitled "General information on accounting standards" in the Notes for detailed information on the legal structure. → Page 127

Corporate governance and value management

As a centralized function, the controlling department of the holding company is responsible for the Group's internal controlling instruments. It steers and monitors deviations between "as is" and

PERFORMANCE INDICATORS (5-YEAR PERIOD)

AS A %

	2016	2015	2014	2013	2012
Revenue in € million	1,361.4	1,375.3	1,284.3	1,159.5	1,091.7
EBITDA margin	11.6	12.5	15.3	13.2	13.0
EBIT margin	6.5	7.5	10.6	8.2	7.8
Average working capital/revenue	42.0	40.2	38.4	39.2	37.9
Average capital employed/revenue	75.3	71.0	69.9	74.1	72.7
ROCE II	6.0	7.3	10.8	7.7	7.6
Equity ratio (before minority interests)	68.8	68.6	69.9	70.7	68.0
Gearing	18.9	18.7	17.7	18.9	23.4
Free cash flow in € million	28.7	17.8	21.5	55.2	-86.3

"to be" figures, primarily based on the development of revenue and profit reported by affiliates, as well as preparing key performance indicators at Group level for the Executive Board. The controlling instruments are adapted where necessary in the process to reflect developments both within and beyond company walls.

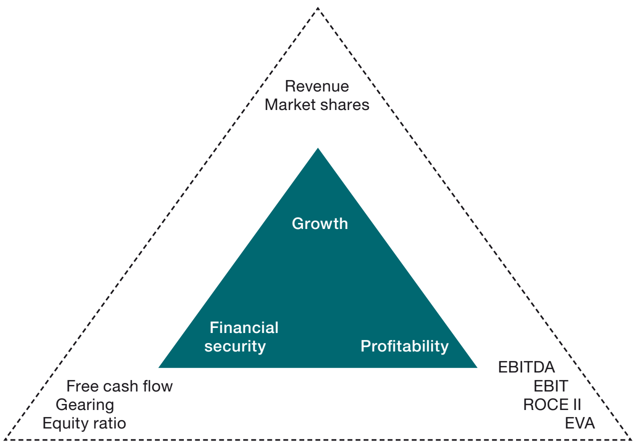
Important decisions on projects initiated by the company in response to changing market and customer requirements are made by management committees. These committees include members of the Executive Board and senior employees at first and second management levels.

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

The company also governs its dividend payment policy, financing structure and return on capital employed. It uses two indicators for this purpose: working capital and return on capital employed after tax (ROCE II). The results are used to determine the economic value added (EVA). Equity ratio is also used as an indicator of balance sheet performance. Corporate Treasury controls financing by monitoring net financial debt and gearing. Free cash flow is also an important indicator of the company's ability to finance itself.

The table above shows a year-on-year comparison of how these key indicators have developed. The terms are explained in the financial glossary. → Page 172

PERFORMANCE INDICATORS AT A GLANCE



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

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

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

General background

Overall economic trends

- Slowdown in economic growth in Europe and the US
- Emerging markets show signs of stabilizing
- US dollar continues to strengthen

According to estimates made by the International Monetary Fund (IMF), world gross domestic product (GDP) increased by 3.1 percent in 2016, compared with a 3.2 percent rise in the previous year. Economic expansion in industrialized countries cooled significantly at just 1.6 percent. In contrast, emerging countries reported a stable growth rate of 4.1 percent, putting an end to the downward trend of past years.

Although the European Central Bank (ECB) continued its expansionary monetary policy, economic output in the eurozone grew by just 1.7 percent during the period under review. A lack of clarity about the timing and contractual details of Brexit, which was decided in a referendum in the UK at the end of June, was a key source of uncertainty here. Solid domestic demand in many eurozone countries had a stabilizing effect, however.

In 2016, Germany again proved to be a stabilizing factor for the European economy, reporting slightly stronger growth of 1.7 percent relative to the previous year. Consumer spending was bolstered by positive developments on the labor market, with unemployment falling to the lowest level in 25 years, and rising wages. Once again, exports were also higher than the previous year, fueled by a weaker euro during the course of the year. For the second year in a row, Spain reported a significant rise in GDP of 3.2 percent. The Italian economy, however, continues to recover at a very sluggish rate, reporting an increase of just 0.9 percent. The debt crises are still far from over, especially in Southern European countries. At the start of January 2017, for example, the IMF assessed Greece's debt as "unsustainable".

After a weak first half of 2016, the US economy stabilized somewhat during the remainder of the year. Despite this, growth remained at a comparatively low level of 1.6 percent. The positive labor market situation in particular was a source of positive momentum here. However, the US economy struggled with the continued rise in value of the US dollar and with uncertainty regarding the country's future economic course following the unexpected election of Donald Trump as US president.

Rising oil and commodity prices in particular ensured that growth in emerging markets did not contract further for the first time in five years. Russia was one of the main beneficiaries of this trend. Although the country remains in recession, it was able to clearly curb the downside tilt at just 0.6 percent. The Brazilian economy, however, continued to develop weakly, with economic output falling significantly again by 3.5 percent. At 6.7 percent, growth in China was slower than in previous years. This reflects the structural shift that the country is undergoing. Driven by the Chinese government, the reforms aim to move the country away from export, heavy industry and debt-financed investment to a model built on stronger domestic demand, innovation and the service sector. However, there are concerns that part of this growth was only possible due to short-term government incentive programs.

REAL GDP (CHANGE FROM PREVIOUS YEAR)
AS A %

	2016	2015
World	3.1	3.2
Eurozone	1.7	2.0
Germany	1.7	1.5
USA	1.6	2.6
South America	-0.7	0.1
China	6.7	6.9
Russia	-0.6	-3.7
Middle East and North Africa	3.8	2.5
South Africa	0.3	1.3

Source: IMF, January 2017.

Currency trends

During the period under review, the euro was put under further pressure by the growing divide between the ECB's expansionary monetary policy and the increasingly restrictive monetary policy applied by the US Federal Reserve (Fed). For a large part of the year, the euro proved to be much more stable than in the previous year. However, at the end of 2016, against the backdrop of the Fed's latest rise in interest rates, the European key currency fell to its lowest point against the US dollar since 2003. In 2016, the euro also dropped in value against the currencies of other key industrialized countries such as the Swiss franc and the Japanese yen. It also fell against the Russian ruble, which had shown tangible signs of recovery. However, the euro did gain in value against the British pound, which had come under significant pressure as a result of the Brexit referendum.

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

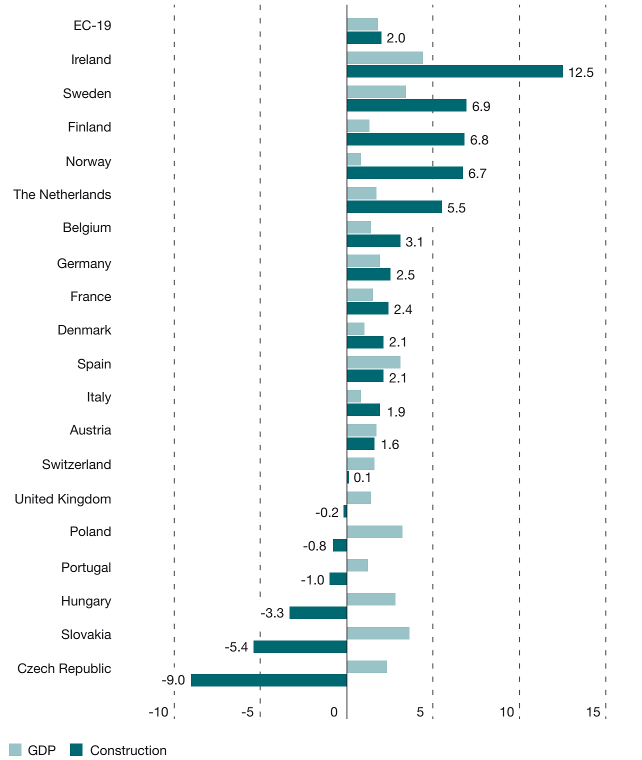
1 EURO EQUALS

	2016	2015	Change as a %
US dollar (USD)	1.0541	1.0887	-3.2
Swiss franc (CHF)	1.0739	1.0835	-0.9
British pound (GBP)	0.8562	0.7340	16.6
Japanese yen (JPY)	123.4000	131.0700	-5.9
Australian dollar (AUD)	1.4596	1.4897	-2.0
Brazilian real (BRL)	3.4305	4.3117	-20.4
Chinese yuan (CNY)	7.3202	7.0608	3.7
Indian rupee (INR)	71.5935	72.0215	-0.6
Canadian dollar (CAD)	1.4188	1.5116	-6.1
Russian ruble (RUB)	64.3000	80.6736	-20.3
South African rand (ZAR)	14.4570	16.9530	-14.7

Source: Notes to the Consolidated Financial Statements, page 134.

CONSTRUCTION AND ECONOMIC GROWTH (EUROPE) 2016

AS A %



Source: Euroconstruct, November 2016.

Overview of construction and agricultural industries

- Strong construction activity in industrialized countries
- Demand for construction equipment varies significantly from region to region
- Ongoing weakness in the agricultural technology sector

Developments in the global construction industry have a significant impact on business dynamics at the Wacker Neuson Group. 2016 was a good year for the construction industry in industrialized countries. According to Euroconstruct, construction activity in Europe rose by approximately 2 percent. Residential construction continued to be the major driving force here, fueled by favorable financing options and strong demand in many countries. In the US, construction expenditure reached its highest level for ten years during the reporting period. This rise was fueled by stable growth in residential and commercial real estate as well as increased public spending on construction projects. In contrast, construction activity in countries heavily dependent on the extraction of raw materials remained weak.

In light of these developments, the German Engineering Federation (VDMA) expects global sales of construction equipment in 2016 to remain at roughly the same level as the previous year, whereby the situation varies greatly from region to region. The European construction equipment industry, for example, is clearly benefiting from the favorable construction climate in its domestic market. The Committee for European Construction Equipment (CECE) expects growth for 2016 to range between 5 and 10 percent, with clear double-digit growth rates in some countries such as France, Italy, Germany and Spain. According to the VDMA, China may also have experienced growth for the first time since 2011. This picture is offset, however, by a clear downward tilt once again in North and South America and the Middle East in 2016.

Further downturns for European agricultural equipment manufacturers

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

With prices for agricultural produce such as milk, grain and corn remaining low, the agricultural technology sector again saw revenue fall in 2016. According to data released by the VDMA, the global market contracted by around 5 percent. China, Japan and NAFTA countries developed particularly weakly, reporting downturns of between 8 and 15 percent. In Europe, demand also decreased by 4 percent. The German market proved particularly challenging for manufacturers with demand falling by 9 percent here. Only a few major markets showed grounds for optimism, including Russia, India and Spain. In Russia, the ban on food imports from the European Union, which was implemented in response to economic sanctions imposed by the EU, has led to a boom in the domestic agricultural industry and this is something that manufacturers of agricultural technology have also benefitted from.

General legal framework

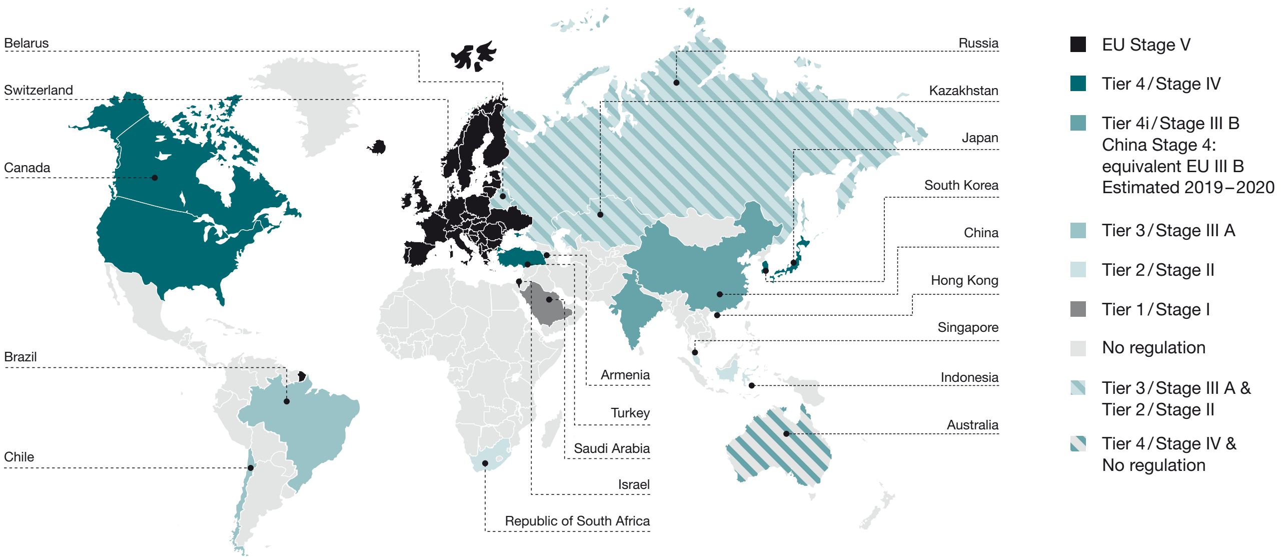
- Focus on protection for users and the environment
- Continued implementation of new technological requirements
- EU Stage V emissions standard approved

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

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

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

FIG. 1 Increasing intensification of emissions regulations for diesel engines (non-road mobile machinery)



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

On July 5, 2016, the European Parliament approved the next stage of emissions regulations for non-road mobile machinery. Emissions stage V covers power categories under 19 kW and over 56 kW for the first time. The new count and weight limits for particulate matter are even lower than the already strict US standards. These new limits apply to machinery introduced to the market from January 1, 2019 (power class <56 kW and ≥130 kW) and January 1, 2020 (power class ≥56 kW and <130 kW). In response to pressure from numerous stakeholder groups, the 18-month transition period initially set down in the final draft was extended to 24 months in the approved version. → Page 55/FIG. 1

Despite this concession, EU Stage V remains a major challenge for all manufacturers and their suppliers, especially as it will most likely necessitate the widespread use of closed diesel particulate filter systems and a use of urea. The Wacker Neuson Group is particularly affected by EU Stage V as the different technological solutions will require new developments for many machines, and this will, in turn, have an impact on development, production, logistics and sales.

Extended obligations regarding the disclosure of sustainability information

Within the framework of EU Directive 2014/95/EC regarding the disclosure of non-financial and diversity information, listed companies headquartered in the European Union will be required for the first time in 2018 to report annually on environmental, social and employee-related matters, respect for human rights, diversity in supervisory, management and administrative bodies as well as anti-corruption and bribery matters. In response to this, the Wacker Neuson Group already started to expand the “Sustainability” section in the management report of its 2015 Annual Report. The Group also publishes an annual CSR fact book and is well positioned to meet the additional disclosure obligations from the 2017 Annual Report onwards.

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

Competitive position

- Fragmented competitive landscape
- Differentiation through high product and service quality, diversified portfolio and innovative strength
- Market position further strengthened

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

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

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

Strategic alliances

Although the Wacker Neuson Group announced the termination of two strategic alliances in the last two years, collaborations of this kind remain an important strategic tool for the Group, enabling it to open up new sales channels and make targeted additions to its product portfolio.

Wirtgen/Hamm

Wacker Neuson formed a strategic alliance in 2015 with Hamm AG. A member of the Wirtgen Group, Hamm manufactures tandem rollers in the 1.8- to 4.5-ton category and compactors weighing up to 12 tons in line with technical and design specifications developed by Wacker Neuson. This long-term cooperation closes gaps in the Wacker Neuson product portfolio, enabling the Group to round off its offering in the soil and asphalt compaction segment. The Group will gradually expand distribution of the rollers produced by Hamm via the global Wacker Neuson sales network.

Caterpillar

Wacker Neuson has been developing and manufacturing mini excavators with a total weight of up to three tons for Caterpillar since 2010. Caterpillar distributes these machines globally under its own brand via its sales network, with the exception of Japan. In August 2016, on the initiative of Caterpillar, both parties agreed by mutual consent to terminate the strategic alliance effective May 31, 2018. Caterpillar intends to manufacture and distribute the mini excavators that it previously sourced from Wacker Neuson itself in future. Wacker Neuson will continue to provide Caterpillar with selected mini excavator models beyond the termination date until the end of 2019 as part of an OEM delivery agreement. Customers of both organizations are assured the long-term availability of technical support and spare parts even after the collaboration has ended. This change does not affect other light and compact equipment from Wacker Neuson that is distributed and serviced via Caterpillar's dealer network and rental stations.

CLAAS

Since 2005, Group member Kramer-Werke GmbH has been developing and manufacturing powerful, versatile telescopic handlers for the German company CLAAS, a global leader in agricultural machinery. These are distributed worldwide by CLAAS under the CLAAS SCORPION brand. In June 2015, the two partners reached a mutual agreement to terminate their partnership as of 2018. From this time on, the two partners will be operating independently in telescopic handler markets. Customers are assured the long-term availability of services and spare parts for CLAAS machines manufactured by Kramer even after the collaboration has ended.

Leading global manufacturer

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

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

Changes in the competitive landscape

The key trends in the competitive landscape observed in previous years continued in fiscal 2016:

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

Following the termination of negotiations for a full takeover of US construction equipment manufacturer Terex by its Chinese competitor Zoomlion, Terex sold its Material Handling & Port Solutions business area to Finnish crane manufacturer Konecranes in 2016. Terex and Konecranes had announced plans to merge in the previous year. However, these were shelved following an offer from Zoomlion. Hyundai Heavy Industries (HHI) and Case New Holland (CNH) Industrial have entered into a strategic alliance for the production of mini excavators weighing up to six tons. This collaboration initially has a ten-year term. From 2017 on, CNH will distribute a total of 14 models from HHI worldwide, with the exception of the South Korean market. French rental company Kiloutou has entered the German market following its acquisition of Starlift, a rental company specializing in aerial work platforms. The acquisition of NES Rentals at the start of 2017 was an undertaking on a much larger scale. United Rentals, the largest rental company in the world, paid just under one billion US dollars for NES, a rental company specializing in aerial work platforms.

2. Asian suppliers pressing forward with global expansion

Germany and the US were key target markets in 2016. At the end of April, Sany, one of China's largest construction equipment manufacturers, started to distribute excavators in Germany. The company expanded its sales network, increasing the number of dealers from five to twelve by the close of the year. Japanese manufacturer Yanmar strengthened its market position in Germany by acquiring the Terex Corporation's compact equipment business in Germany for around USD 60 million. The product portfolio here includes mini and midi excavators, mobile excavators and small wheel loaders manufactured at a plant in Crailsheim. In the US, another Japanese player, Kubota, acquired Great Plains Manufacturing Inc., which has several sites in Kansas and one in England. Great Plains manufactures a broad range of agricultural equipment for the global market. By mid-2017, Japanese company Komatsu plans to acquire US mining equipment manufacturer Joy Global.

3. Expansion of production and sales capacities in emerging markets

Two major European players, Manitou and Volvo Penta, opened new production plants in Brazil. Manitou aims to improve its market position in South America by manufacturing telescopic handlers locally. The French provider of construction equipment and forklifts also opened a new sales and service center in Malaysia to ensure closer proximity to customers. German agricultural equipment manufacturer CLAAS signed a Special Investment Contract with Russia. This agreement gives CLAAS the status of a Russian manufacturer and means that the company will be eligible for the same state subsidies for its combine harvesters as local manufacturers. Furthermore, US engine manufacturer Cummins and Saudi Arabia's Olayan Group have formed a joint venture consolidating the distribution of Cummins products in Saudi Arabia, the United Arab Emirates and Kuwait.

4. Response to overall drop in demand

Caterpillar in particular continued apace with the restructuring program it announced the previous year. Measures here included the consolidation of the two business areas Electric Power and Marine & Petroleum Power. The company is also considering closing its construction equipment plant in Gosselies, Belgium, and moving production to other manufacturing sites. The closure would affect around 2,000 employees in Gosselies. In mid-2016, Japanese company Subaru announced plans to incorporate its Industrial Products division, which manufactures engines, pumps and generators, into its Automotive business. Other big-name companies such as John Deere announced staff rationalization measures.

Some of the changes to the competitive landscape described above had an impact on the Wacker Neuson Group, with the effect of increasing pressure on prices and, in some cases, creating potential new, powerful competitors.

Digitalization is becoming an increasingly important issue in key markets for the Wacker Neuson Group. Over the coming years, this trend will enhance product functionality and also change value chains.

Stronger market position despite difficult conditions

Taking the revenue developments of listed competitors as an indicator of performance, the Wacker Neuson Group was able to maintain its market share both nationally and internationally in 2016 and also strengthen its position in selected regions. This was aided in particular by the Group's solid position in Europe. The Group benefits from its innovative strength and flexibility as well as ever increasing diversification across target markets, cross selling between product areas and from its strong financial position and independence, especially in difficult economic periods.

Business trends

- Revenue at prior-year level after currency adjustment
- Challenging business conditions in North America
- 2016 as a “year of transition”

General statement on business performance

Group revenue for 2016 remained at the same level as the previous year despite challenging dynamics. Nominal revenue amounted to EUR 1,361.4 million (2015: EUR 1,375.3 million) and was thus 1.0 percent lower than the previous year. When adjusted to discount currency effects, it was 0.3 percent higher than the prior year.

The Group experienced a significant downturn in North America. This was due to the situation in the oil and gas industry where sales of equipment and machines ground to a halt resulting in the products being distributed in other industries instead, all of which depressed overall demand for new equipment. Inventory levels at dealers and rental chains in the US and Canada remained high. Revenue and earnings for skid steer loaders took a significant downturn due to problems with suppliers. This product group has been manufactured in the US since 2015. In addition to this, the dollar's relatively high rating had a negative impact on exports of locally manufactured products to Europe and South America.

The Group reported gains above all in Germany, Austria and Switzerland as well as in Denmark and Benelux countries. The French market developed positively, recovering rapidly from the dramatic slump in the previous year. However, business was dampened by developments in the European agricultural sector and remained below expectations.

Despite economic headwinds, the Group remained committed to its strategic course in 2016. This was a year of transition for the Group, during which it optimized processes and structures and also laid the foundations for future growth. Measures here included consolidating the light equipment R&D center (Munich) with the production facility in Reichertshofen as well as the construction of the Group's new production plant in Brazil and, in future, the new site in China – both of which will enable the Group to expand its international reach and lay the groundwork for further growth. Further examples include the consolidation of the spare parts service for all compact equipment sites in Europe at a central warehouse in Nuremberg, Germany, and the launch of a new e-commerce platform. The Group also led the way again at bauma in 2016, the world's largest construction equipment exhibition, showcasing its enhanced zero-emissions product line. The Group strengthened its organization and performance in 2016 to more effectively master the increasing global challenges over the coming years.

The challenging market conditions had a particularly marked impact on earnings in 2016. The EBITDA margin[1] for the year as a whole amounted to 11.6 percent and was thus 0.9 percent below the prior-year figure (2015: 12.5 percent). The EBIT margin[2] dropped from 7.5 percent in the previous year to 6.5 percent.

Comparison between actual and projected performance
In March 2016, the Executive Board forecast that Group revenue would increase to between EUR 1,400 and EUR 1,450 million (+2 to 5 percent relative to the previous year) and the EBIT margin would come in at between 7.0 and 8.0 percent. Although in the first half of the year, revenue did sink by 1.2 percent, an EBIT margin of 7.3 percent was reached. However, high-risk markets such as Russia, South Africa, Turkey and the UK started to cause increasing uncertainty. Furthermore, the European agricultural technology sector was still not showing any signs of long-term recovery at the start of the second half of the year. At the same time, market weaknesses in North America proved to be more persistent than expected and many emerging markets were still not showing signs of recovery. The company thus concluded that revenue and profitability would develop below previous expectations during the second half of the year. The Executive Board lowered its revenue forecast in August 2016 to between EUR 1,375 to EUR 1,425 million with an EBIT margin of between 6.5 and 7.5 percent. In November 2016, it further amended its statement to the effect that the Group would most likely reach the lower end of this range for the entire year. Revenue and earnings subsequently developed in line with these amended estimates.

	Forecast March 2016	Adjusted forecast: August 2016	Achieved 2016	Medium-term goal
Revenue	€ 1,400 to 1,450 million	€ 1,375 to 1,425 million	€ 1,361 million	> € 2 billion
EBIT margin	7.0 to 8.0%	6.5 to 7.5%	6.5%	≥9%

Healthy financials and assets
The Group's financials and assets remain strong, with a high equity ratio (before minority interests) of around 68.8 percent (2015: 68.6 percent) and gearing of 18.9 percent.

Changes to the Executive Board
On April 1, 2016, Jan Willem Jongert took on the role of Chief Sales Officer (CSO) and member of the Executive Board responsible for sales, service, logistics and marketing. On January 10, 2017, he was succeeded by Mr. Alexander Greschner following a mutual agreement between Mr. Jongert and the Supervisory Board. For further information on this, refer to the Notes to the Consolidated Financial Statements. → Page 161

On January 1, 2017, Wilfried Trepels was appointed the new Chief Financial Officer (CFO) and member of the Executive Board of Wacker Neuson SE. Mr. Trepels took over from Mr. Günther C. Binder, who stepped down from his position on the Executive Board on December 31, 2016.

Consolidation of research and production activities for the light equipment segment (Europe) in a new building in Reichertshofen
In April 2016, work started on the expansion of the Wacker Neuson light equipment production plant in Reichertshofen (located between Munich and Ingolstadt). The company has invested around EUR 10 million in a new R&D center for light equipment at the site. The R&D department relocated from its previous base in Munich to the production site in Reichertshofen at the end of 2016/ beginning of 2017. This move will intensify collaboration between the Group's technical departments and production areas and open the way for greater synergies.

bauma 2016
In April, the Group showcased its Wacker Neuson and Kramer brands on an outside area measuring over 5,300 square meters at bauma 2016. The world's largest construction equipment tradeshow was a great success for the Group. For further information on this, refer to the "Sales, customers and marketing" section on → page 96.

New production plant opens in Brazil
In April, the Group opened a new assembly plant in Itatiba, in the state of São Paulo, Brazil. The site will initially assemble two versions of mobile generators in the 50–70 kilovolt ampere (kVA) class for the South American market. Over the coming months, production will be expanded to include larger generators.

Construction of new plant in China
On June 22, 2016, the company announced its plans to build a factory near Shanghai. Construction got underway in November 2016, following a silver spade ceremony. The facility will manufacture compact excavators for the local market from 2018 on. Further products will follow at a later date.

Termination of alliance with Caterpillar
On August 25, 2016, the Wacker Neuson Group and Caterpillar announced that they would be terminating their strategic alliance for mini excavators weighing under three tons in 2018. For further information on this, refer to the "Strategic alliances" section on → page 56.

Changes to company organization and structure
Please refer to the Notes to the Consolidated Financial Statements for information on changes to the Group's participating interests that have had an impact on the consolidation structure. → Page 131

[1] EBITDA margin = EBITDA/revenue.
[2] EBIT margin = EBIT/revenue.

Profit, financials and assets

The report on profit, financials and assets covers a total of 58 consolidated Group companies (2015: 54) including the holding company, Wacker Neuson SE.

Profit

- Revenue held at prior-year level
- Profitability impacted by market crises and difficulties during the start of production in the US

Revenue for 2016 developed significantly below expectations due to overall difficult market conditions. The following factors had a particular impact on revenue:

- Crises in emerging markets in which Wacker Neuson primarily distributes its light equipment portfolio, in particular South America and Russia.
- Falling demand in countries that are dependent on raw material prices, in particular North America, Chile, Australia, South Africa and Russia.
- A surplus of light equipment in the North American construction industry stemming from the oil and gas sector.
- Delays in compact equipment production in the US due to quality issues with suppliers.
- A drop in investments in agricultural machines caused by lower incomes among landholders.

When adjusted to discount currency effects, Group revenue remained at the same level as the previous year. Nominal revenue decreased by 1.0 percent to EUR 1,361.4 million (2015: EUR 1,375.3 million). → FIG. 2

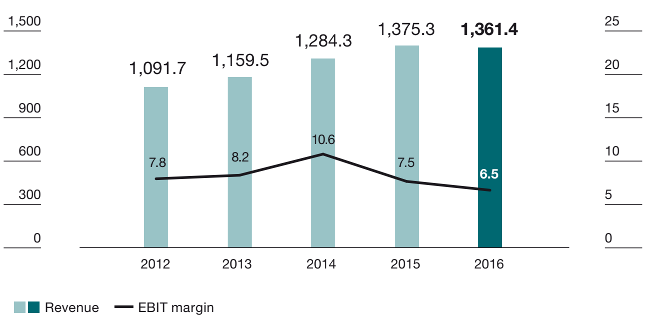
In fiscal 2016, profit figures were affected by a number of different factors:

- A much less favorable regional and product mix than the previous year on almost the same revenue.
- Increased price pressure in competitive markets.
- Increased costs associated with the implementation of new, non-harmonized emissions regulations worldwide.
- One-off costs in conjunction with future projects aimed at strengthening the competitive position.
- Fewer currency gains than in the previous year. These were posted under "Other income and expenses". At EUR 8.7 million, the balance here was 16.3 percent lower than the previous year (2015: EUR 10.4 million).

FIG. 2 Development of revenue and profit

DEVELOPMENT OF REVENUE AND EBIT MARGIN 2012 TO 2016

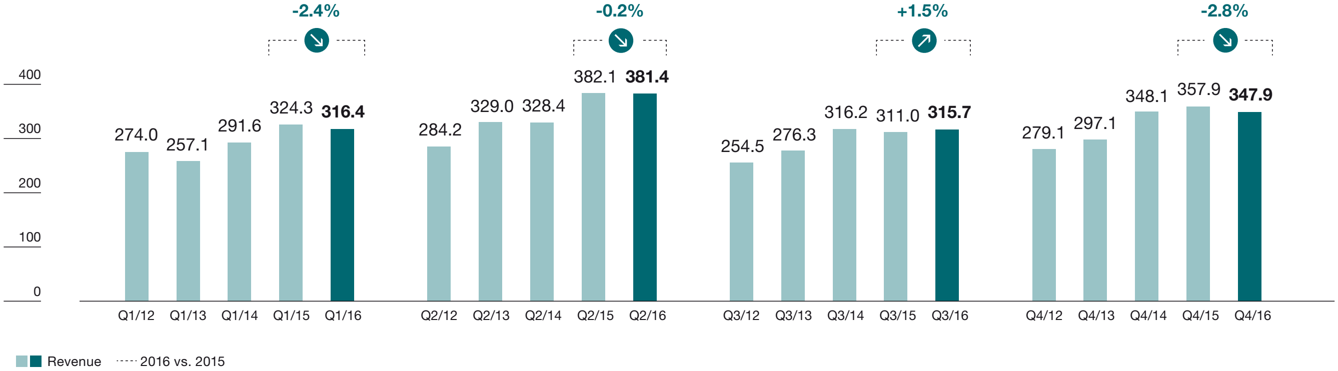
IN € MILLION AS A %



- When adjusted to discount currency effects, revenue in 2016 remained at the same level as the previous year; at EUR 1,361.4 million, it came in at the lower end of the forecast
- Profit was negatively influenced by a number of crises in markets, which occurred simultaneously
- One-off effects from special projects and a delayed start to production in the US
- Measures aimed at improving profitability were implemented; for further information, see → page 115

QUARTER-ON-QUARTER COMPARISON: REVENUE 2012 TO 2016

IN € MILLION



Profit developments

The cost of sales dropped 0.6 percent to EUR 985.2 million (2015: EUR 990.8 million).

Gross profit for 2016 decreased to EUR 376.2 million (2015: EUR 384.5 million). The gross profit margin contracted to 27.6 percent (2015: 28.0 percent). This reflects growth in the compact equipment sector (+1.7 percent), which involves comparatively higher manufacturing costs (lower gross margins) than the light equipment sector.

Total sales, general and administrative (SG&A) expenses and research and development (R&D) expenses grew by 1.9 percent to EUR 296.9 million (2015: EUR 291.3 million). The cost-to-revenue ratio amounted to 21.8 percent (2015: 21.2 percent).

Sales expenses increased 3.6 percent to EUR 193.5 million (2015: EUR 186.7 million). This rise was fueled by the industry tradeshow bauma in Munich, which only takes place every three years, as well as the key strategic measures aimed at expanding international sales activities, in particular investments in service activities and in a central European spare parts logistics structure.

Investment in research and development recognized in the consolidated income statement rose 3.6 percent to EUR 34.8 million (2015: EUR 33.6 million). The company increased investments in new product development to secure its long-term success. The company also had to invest heavily in development to ensure compliance with new, global regulations governing product operation, in particular standards relating to environmental protection and operator safety. A total of EUR 11.4 million in development costs was capitalized by all manufacturing companies in 2016. This is similar to the prior-year figure (2015: EUR 11.0 million). The research and development ratio, including capitalized expenditure, thus amounted to 3.4 percent (2015: 3.2 percent), a figure that reflects the company's commitment to maintaining its leading innovative position.

General administrative costs decreased to EUR 68.6 million (2015: EUR 71.0 million) due to process optimization. The administrative cost ratio fell to 5.0 percent (2015: 5.2 percent).

Other operating income contracted to EUR 27.5 million (2015: EUR 28.0 million) due to lower exchange rate gains. Other operating expenses rose to EUR 18.8 million (2015: 17.6 million) due to higher exchange rate losses, among other things.

Profit before interest, tax, depreciation and amortization (EBITDA) decreased 8.1 percent from EUR 171.3 million to EUR 157.4 million. The EBITDA margin amounted to 11.6 percent (2015: 12.5 percent).

Write-downs in 2016 totaled EUR 69.3 million and were thus 2.4 percent higher than in the previous year (2015: EUR 67.7 million). This was due to increased investments in strategic growth.

Profit before interest and tax (EBIT) decreased 15.0 percent to EUR 88.1 million. This corresponds to an EBIT margin of 6.5 percent (2015: EUR 103.6 million; 7.5 percent), which comes in at the lower end of the range forecast by the Group in August 2016. Adjusted to discount currency effects, profit decreased by 14.5 percent.

The financial result totaled EUR -6.7 million (2015: EUR -6.1 million). For further information on the financial result, refer to the "Financial position" section → page 62 and item 5 in the Notes to the Consolidated Financial Statements → page 139.

Profit before tax (EBT) decreased 16.5 percent to EUR 81.4 million (2015: EUR 97.5 million). Tax expenditure amounted to EUR 24.2 million (2015: EUR 30.9 million). The tax rate fell to 29.7 percent (2015: 31.6 percent). This was primarily due to income in the US being lower than in the previous year.

Group profit (after minority interests) amounted to EUR 56.8 million (2015: EUR 66.2 million). This corresponds to a decrease of 14.2 percent (11.7 percent when adjusted to discount currency effects). Net return on revenue thus contracted to 4.2 percent (2015: 4.8 percent).

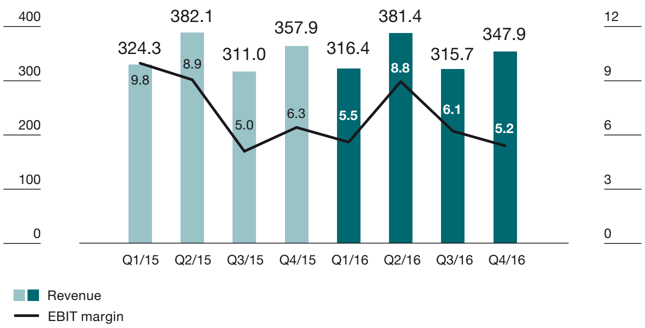
70.14 million ordinary shares were in circulation at all times during the fiscal year. This resulted in earnings per share (diluted and undiluted) of EUR 0.81 (2015: EUR 0.94).

Quarterly developments

The table above shows quarterly revenue and profit for 2016 and 2015. Revenue for the first quarter of 2016 decreased by 2.4 percent on the previous year. Revenue for Q2 2016 was 0.2 percent lower than the prior-year figure. The third quarter was 1.5 percent higher than the prior-year figure and the fourth quarter decreased 2.8 percent relative to the previous year. The company's performance in the fourth quarter is described in more detail under "Developments in Q4 2016". → Page 71

QUARTER-ON-QUARTER COMPARISON OF REVENUE AND EARNINGS FOR 2015 AND 2016

IN € MILLION AS A %



Financial position

- Investments secure long-term growth prospects
- Positive free cash flow
- Fall in earnings leads to negative economic value added (EVA)

Principles and targets of financial management

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

The company's aim is to fund day-to-day operations with cash flow from operating activities. Surplus funds are invested in safe, highly liquid instruments where they earn the prevailing interest rates. Depending on the currency in question, the interest rates may also be negative in 2016.

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

In 2012, Wacker Neuson SE placed a Schuldschein loan agreement with cooperative, savings and private banks. This loan agreement was used to convert short-term borrowings into long-term borrowings, thus optimizing capital structure. Tranche I of the Schuldschein loan in the amount of EUR 90 million was due in February 2017. A new Schuldschein loan was issued. Please refer to item 26 in the Notes to the Consolidated Financial Statements for further information. → Page 161

KEY FINANCIAL INSTRUMENTS AS AT DECEMBER 31, 2016

	Amount in € million	Due	Interest rate as a %
Schuldschein loan agreement (Tranche I)	89.9	2017	3.00
Schuldschein loan agreement (Tranche II)	29.9	2019	3.66
Borrowings from banks	103.4	n/a	variable

Ensuring payment flow through liquidity management

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

Positive free cash flow

As planned, the Wacker Neuson Group financed day-to-day operations with cash flow from operating activities during the year under review. At the close of the year, cash flow from operating activities totaled EUR 131.1 million and was thus at the same level as the previous year (2015: EUR 131.0 million).

Cash flow from investment activities, which only covers investments that have been paid, amounted to EUR -102.4 million within the framework of planned investments realized (2015: EUR -113.2 million).

Cash flow from financing activities increased to EUR -36.1 million (2015: EUR -6.6 million). This was due to the repayment of loans. The company made a dividend payout of EUR 35.1 million in 2016, which is the same figure as in the previous year (2015: EUR 35.1 million).

At the closing date, 76.4 percent of liabilities were current and 23.6 percent non-current.

Free cash flow corresponds to cash flow from operating activities less cash flow from investment activities [1]. Despite lower profit, free cash flow improved to EUR 28.7 million (2015: EUR 17.8 million). This was due to reduced investments and improved working capital management.

Liquidity situation

The Wacker Neuson Group was able to meet liquidity needs in 2016 through a combination of existing liquid assets and credit lines extended by banks. At the closing date, only around 40 percent of these bilateral credit lines had been drawn. The slight increase in net debt did not have a noticeable impact on the Group's credit line structure. For further details on the terms and interest conditions of credit lines, refer to item 19 in the Notes to the Consolidated Financial Statements. → Page 151

STATEMENT OF FREE CASH FLOW CHANGES

IN € K

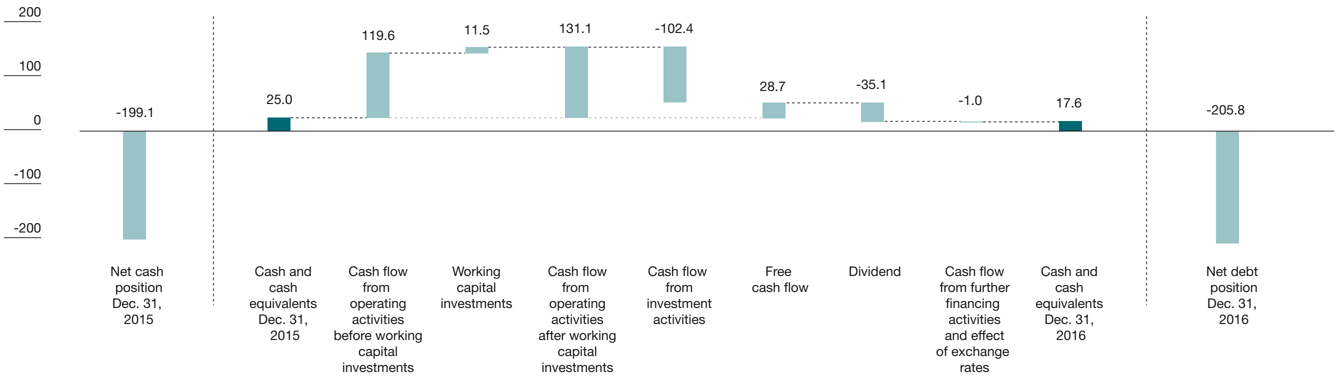
	2016	2015	2014	2013	2012
Cash flow from operating activities	**131,066**	**130,999**	**106,760**	**131,066**	**13,602**
Purchase of property, plant and equipment	-90,724	-100,659	-73,816	-71,793	-93,944
Purchase of intangible assets	-16,226	-17,736	-16,457	-14,968	-10,085
Proceeds from the sale of property, plant and equipment, intangible assets and non-current assets held for sale	4,547	4,983	4,976	10,887	4,156
Change in consolidation structure	0	227	0	0	0
Cash flow from investment activities	**-102,403**	**-113,185**	**-85,297**	**-75,874**	**-99,873**
Free cash flow	**28,663**	**17,814**	**21,463**	**55,192**	**-86,271**

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

FIG. 3 Liquidity situation

CHANGE IN CASH AND CASH EQUIVALENTS 2016 VS. YEAR-END 2015

IN € MILLION

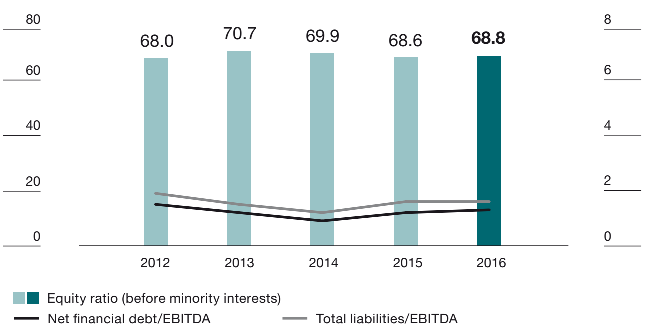


As planned, the Wacker Neuson Group financed day-to-day operations in 2016 with strong cash flow from operating activities. The dividend payout to shareholders amounted to EUR 35.1 million in 2016. At EUR 17.6 million, available liquidity remained comfortable as at December 31, 2016. Net financial debt increased slightly to EUR 205.8 million (2015: EUR 199.1 million).

The Group had liquid funds to the value of EUR 17.6 million (2015: EUR 25.0 million) at year-end. In the main, liquid funds are held by companies that cannot participate in the cash pool system for legal reasons. → FIG. 3

CREDIT INDICATORS 2012–2016

AS A % FACTOR



At the close of the fiscal year, net financial debt expressed as a ratio of EBITDA amounted to 1.3[1] (2015: 1.2). Total debt (which corresponds to net financial debt plus provisions for pension obligations) expressed as a ratio of EBITDA amounted to 1.7[2] (2015: 1.6).

Refinancing developments

The Wacker Neuson Group benefits from its outstanding credit rating, which is also acknowledged by the banks. The Deutsche Bundesbank again confirmed that Wacker Neuson SE was eligible for credit in 2016.

The company aims to maintain its independence, directly sourcing its own diverse refinancing lines on the market. To this end, a new Schuldschein loan agreement was placed on February 27, 2017, with 42 investors. Please refer to item 26 in the Notes to the Consolidated Financial Statements for further information. → Page 161

Substantial investments for future growth

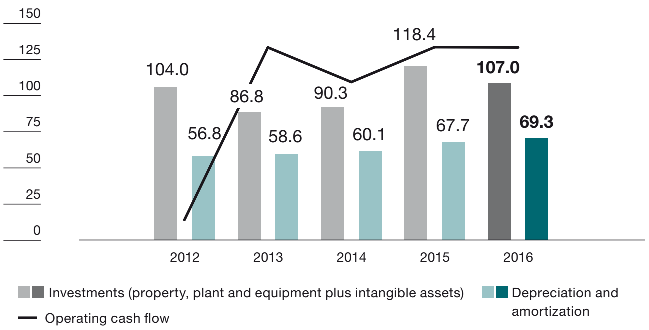
The Wacker Neuson Group again made substantial investments in future growth during fiscal 2016. In the period under review, the Group invested EUR 107.0 million (2015: EUR 118.4 million), EUR 16.2 million of which was channeled into intangible assets (including capitalization of research and development activities,

[1] Note on calculation: 205.8/157.4 = 1.31.
[2] Note on calculation: 273.0/157.4 = 1.73.

FIG. 4 Cash flow and investments

INVESTMENTS, WRITE-DOWNS AND CASH FLOW FROM OPERATING ACTIVITIES 2012 TO 2016

IN € MILLION



- High cash flow from operating activities in the amount of EUR 131.1 million
- Lower overall investments amounting to EUR 107.0 million in 2016
- Write-downs slightly higher than the previous year at EUR 69.3 million
- Ratio of investments to write-downs: 1.5
- Positive free cash flow in the amount of EUR 28.7 million

software, etc.). Overall, the Group invested less than the EUR 120 million it originally planned. This is because a number of investment projects were deferred until 2017.

The Wacker Neuson Group regularly invests in maintenance and replacement projects. In 2016, this accounted for EUR 21.9 million (20.5 percent) of total investment. EUR 68.9 million was invested in expanding production capacity, sales locations and the rental fleet (for Central Europe). This corresponds to 64.4 percent of total investment.

INVESTMENTS 2016[1]

AS A % OF TOTAL INVESTMENT

64.4	Expansion of production capacity, sales locations and rental Central Europe
15.1	Intangible assets
20.5	Renewal/maintenance and other investments

[1] 2016 investments: EUR 107.0 million (property, plant and equipment, intangible assets, incl. capitalized development expenditure).
Differences attributable to rounding.

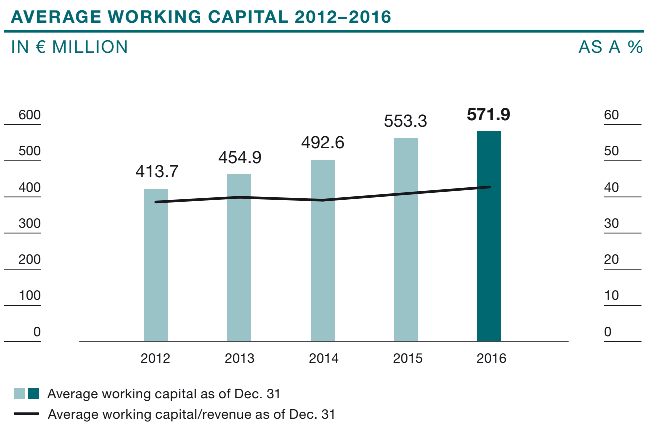
The investment (property, plant and equipment plus intangible assets) to depreciation factor amounted to 1.5 (2015: 1.7). → FIG. 4

Working capital developments

Targeted inventory management is crucial for building an optimum degree of flexibility into delivery capabilities and meeting the needs of the global market. The increased complexity of managing product parts and model versions in response to amended (emissions) legislation governing construction equipment has raised stock levels. In Europe, the Group distributes its products via its own affiliates, as well as its sales and service stations. This has a big impact on inventory levels of finished products, setting the Group's business model apart from the "dealer-only" model operated by almost all of its competitors, which means that competitor inventory machines are reported in their dealers' balance sheets.

In 2016, the Wacker Neuson Group was able to reduce inventory by 6.6 percent to EUR 443.1 million (2015: EUR 474.6 million) as a result of targeted optimization measures, even though the delayed start of compact loader production in the US increased inventory there. Trade receivables rose 18.8 percent to EUR 213.8 million (2015: EUR 180.0 million) due to longer payment terms afforded to customers. In certain cases, particularly outside of Central European markets, the Wacker Neuson Group provides customers with longer payment terms in line with standard industry practices. Trade payables increased by 9.4 percent to EUR 87.6 million (2015: EUR 80.1 million).

FIG. 5 Average working capital developments



- The aim of working capital management is to keep as little capital as possible tied up while at the same time optimizing delivery capabilities
- Inventory decreased in 2016; trade payables and trade receivables increased
- Ratio of average working capital to revenue: 42.0 percent (2015: 40.2 percent)
- Medium-term goal: <40 percent

At December 31, 2016, average working capital (average capital held in current assets) amounted to EUR 571.9 million. While the Group decreased inventory, average working capital increased 3.4 percent relative to the previous year. This is attributable to the increase in trade receivables and payables (2015: EUR 553.3 million). The ratio of working capital to revenue came to 42.0 percent (2015: 40.2 percent). → FIG. 5

Return on capital employed 2016

At EUR 1,025.6 million, average capital employed – in other words, the book value of all assets used for operational purposes – increased by 5.5 percent on the previous year (2015: EUR 976.6 million).

CALCULATION OF AVERAGE WORKING CAPITAL

IN € K

	2016	2015	2014	2013	2012
Inventory	443,116	474,560	424,036	333,812	360,121
+ Trade receivables	213,761	180,035	173,317	163,953	147,838
- Trade payables	87,603	80,132	65,187	44,702	51,143
Working capital	569,274	574,463	532,166	453,063	456,816
Average working capital = (opening inventory + closing inventory)/2	571,869	553,315	492,615	454,939	413,652
Average working capital to revenue ratio	**42.0%**	**40.2%**	**38.4%**	**39.2%**	**37.9%**

The indicators presented here are also described in more detail in the “Corporate governance and value management” section (see “The Wacker Neuson Group”). → Page 51 They are calculated as follows on the basis of the figures reported in the Consolidated Financial Statements and the Notes:

CALCULATING ROCE I AND II

IN € K

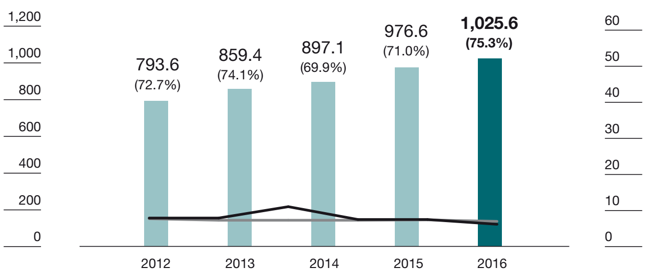
	2016	2015	2014	2013	2012
EBIT	88,114	103,647	136,201	94,748	84,899
EBIT (adjusted)[1]	88,114	103,647	136,201	94,748	85,649
Tax ratio acc. to income statement[1] as a %	29.69	31.64	29.21	30.04	29.44
NOPLAT[1, 2] = EBIT – (EBIT x tax rate)	**61,956**	**70,853**	**96,417**	**66,286**	**60,434**
Non-current assets	**879,388**	**850,748**	**814,067**	**792,047**	**790,208**
Goodwill	-238,597	-238,282	-237,290	-236,259	-236,603
Brands	-64,838	-64,838	-64,838	-64,838	-64,838
Other investments	0	0	0	0	0
Loans	-44	-14	-24	-25	-181
Investment securities	-1,637	-1,566	-1,557	-2,206	-3,449
Non-current liabilities					
Deferred taxes	-39,125	-33,537	-33,187	-33,124	-33,475
Non-current assets used in business	**535,147**	**512,510**	**477,171**	**455,595**	**451,662**
Current assets	**701,396**	**701,425**	**633,500**	**530,360**	**554,597**
Cash and cash equivalents	-17,572	-25,019	-14,200	-15,533	-18,867
Currency hedges	0	0	126	-4	0
Trade payables	-87,603	-80,132	-65,187	-44,702	-51,143
Short-term provisions	-15,695	-13,132	-12,827	-12,948	-12,804
Current tax payable	-1,817	-3,210	-1,357	-310	-1,834
Other current liabilities	-74,623	-80,822	-75,712	-59,759	-55,438
Net working capital	**504,388**	**499,111**	**464,343**	**397,104**	**414,511**
Capital employed (non-current assets used in business + net working capital)	**1,039,535**	**1,011,622**	**941,514**	**852,699**	**866,173**
Average capital employed	**1,025,578**	**976,568**	**897,107**	**859,436**	**793,640**
Average capital employed as a % of revenue	75.3	71.0	69.9	74.1	72.7
ROCE I (return on capital employed before tax) as a % (EBIT/average capital employed)	**8.59**	**10.61**	**15.18**	**11.02**	**10.79**
ROCE II (return on capital employed after tax) as a % (NOPLAT/average capital employed)	**6.04**	**7.26**	**10.75**	**7.71**	**7.61**

[1] 2012 EBIT was reported before one-off write-downs on intangible assets in the amount of EUR 0.8 million. The tax ratio was adjusted in each case.
[2] NOPLAT: Net Operating Profit Less Adjusted Taxes.

FIG. 6 Return on capital employed (ROCE)

CAPITAL EMPLOYED, ROCE II AND WACC 2012–2016

IN € MILLION | AS A %



Average capital employed (in brackets: average capital employed/revenue)
ROCE II — Weighted average cost of capital (WACC)

- Ratio of average capital employed to revenue: 75.3 percent (2015: 71.0 percent)
- Return on capital employed after tax (ROCE II): 6.0 percent (2015: 7.3 percent)
- Capital costs (WACC): 6.8 percent (2015: 7.1 percent)
- Economic value added (EVA) was thus negative at EUR -7.9 million (2015: EUR +1.1 million)

Return on capital employed (ROCE I) decreased from 10.6 percent in the previous year to 8.6 percent due to the fall in earnings. ROCE II amounted to 6.0 percent (2015: 7.3 percent). → FIG. 6

Cost of capital higher than return on capital employed
The Wacker Neuson Group also includes the key indicator weighted average cost of capital (WACC) in its financial reporting.

BASIS FOR CALCULATING (WACC[1])

	2016	2015	2014	2013	2012
Risk-free return (r_f) as a %	1.00	1.50	2.00	2.75	2.50
Market risk premium (MRP) as a %	6.00	6.00	6.00	6.00	6.00
Leverage beta ($ß_L$)	1.208	1.172	1.040	1.037	1.094
Average interest-bearing liabilities, € K	306,980	264,856	264,354	288,061	219,921
Interest expense (D x r_D), € K	7,583	7,313	8,096	7,971	7,731
Cost of debt (r_D) as a %	**2.47**	**2.76**	**3.06**	**2.77**	**3.52**
Group tax rate (s) as a %	29.69	31.64	29.21	30.04	29.72
Share price at closing date (k) €	15.42	14.23	16.96	11.49	10.35
Number of shares (n) in thousands	70,140	70,140	70,140	70,140	70,140
Market capitalization (E), € K	1,081,559	998,092	1,189,224	805,558	725,949
Cost of equity (r_E) as a %	**8.25**	**8.53**	**8.24**	**8.97**	**9.06**
Percentage of financing that is equity [E/(E+D)] as a %	77.89	79.03	81.81	73.66	76.75
Percentage of financing that is debt [D/(E+D)] as a %	22.11	20.97	18.19	26.34	23.25
Weighted average cost of capital (WACC) as a %	**6.81**	**7.14**	**7.14**	**7.12**	**7.53**

[1] WACC: (percentage of financing that is equity x cost of equity) + (percentage of financing on average that is debt x cost of debt) x (1 – tax rate).
WACC = (rf+MRP*ßL)*E/(E+D)+rD*(1-s)*D/(E+D).
WACC stands for weighted average cost of capital. It is calculated as the mean value of equity and debt costs, whereby tax benefits are to be deducted from the cost of debt.
Here, equity is taken at market value at the closing date.
In 2012, the calculation of WACC was adjusted. For the first time, the average interest-bearing liabilities were calculated precisely for each month.
The previous year's figures have been adjusted in line with this new calculation.

CALCULATION OF THE ECONOMIC VALUE ADDED (EVA)

	2016	2015	2014	2013	2012
ROCE II as a %	6.04	7.26	10.75	7.71	7.62
WACC as a %	6.81	7.14	7.14	7.12	7.53
ROCE II – WACC as a %	-0.77	0.12	3.61	0.59	0.09
Average capital employed in € m	1,025.6	976.6	897.1	859.4	793.6
EVA in € m	**-7.9**	**1.1**	**32.4**	**5.1**	**0.7**

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

In 2016, the Group did not produce positive economic value added. ROCE II (return on capital employed after tax) amounted to 6.0 percent (2015: 7.3 percent) and was thus lower than the weighted average cost of capital (WACC), which came in at 6.8 percent (2015: 7.1 percent).

Economic value added (EVA) is calculated by multiplying the difference between ROCE II and WACC by the mean capital invested. This figure thus represents the net amount of economic profit obtained from capital employed and shows how much value a company has gained or lost in a specific year. Following the positive EVA result of EUR 1.1 million for the previous year, economic value added amounted to EUR -7.9 million in the year under review.

Assets

- Solid balance sheet structure underpins further growth
- High equity ratio compared with industry peers
- Low gearing

The balance sheet total rose 1.8 percent during the fiscal year to EUR 1,580.8 million (2015: EUR 1,552.2 million).

Return on assets (ROA) after tax and before minority interests decreased to 3.7 percent (2015: 4.4 percent). ROA expresses the ratio between profit/loss for the period before minority interests and the average balance sheet total.

Assets rose to EUR 814.5 million (2015: EUR 798.9 million).

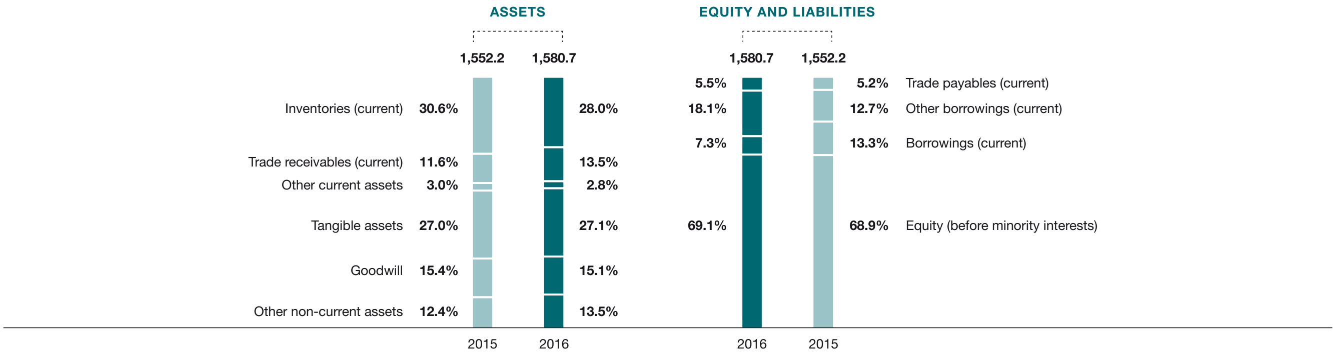
CALCULATING ROE
IN € K

	2016	2015	2014	2013	2012
Profit/loss after minority interests	56,830	66,161	91,512	61,167	54,881[1]
Equity before minority interests	1,087,201	1,064,109	1,011,749	935,481	914,658
Average equity before minority interests	1,075,655	1,037,928	973,615	925,070	907,861
ROE as a % (profit/loss after minority interests/ average equity before minority interests)	**5.28**	**6.37**	**9.40**	**6.61**	**6.05**

[1] 2012 figures are reported before one-off write-downs on intangible assets in the amount of EUR 0.8 million.

BALANCE SHEET STRUCTURE

IN € MILLION



Differences attributable to rounding.

At December 31, 2016, goodwill amounted to EUR 238.6 million (2015: EUR 238.3 million). At EUR 124.9 million, intangible assets were above the previous year's level (2015: EUR 123.7 million).

Due to a targeted decrease in inventory, the value of finished products in 2016 fell from EUR 356.7 million to EUR 343.2 million. Current assets amounted to EUR 701.4 million (2015: 701.4 million).

Strong return on equity plus high equity ratio

Profit for the period increased equity before minority interests to EUR 1,087.2 million (2015: EUR 1,064.1 million). The equity ratio before minority interests amounted to 68.8 percent (2015: 68.6 percent). It thus remains at a relatively high level for the industry. The company's share capital remained unchanged at EUR 70.14 million.

Bolstered by profit figures after minority interests, return on equity (ROE) amounted to 5.3 percent for fiscal 2016 (2015: 6.4 percent).

Non-current liabilities decreased by 44.2 percent to EUR 115.1 million (2015: EUR 206.1 million). Long-term borrowings fell to EUR 30.0 million (2015: EUR 124.4 million) due to a Schuldschein loan in the amount of EUR 89.9 million that was due in February 2017. At EUR 54.2 million, long-term provisions exceeded the previous year (2015: EUR 48.1 million). Provisions for pensions increased as a result of a decrease in the discount rate. Please refer to item 17 in the Notes to the Consolidated Financial Statements for more information. → Page 148 Deferred tax liabilities decreased to EUR 30.8 million (2015: EUR 33.5 million).

Total current liabilities rose to EUR 373.1 million (2015: EUR 277.0 million). This is mainly due to an increase in trade payables, short-term borrowings from banks and other short-term borrowings. Trade payables rose to EUR 87.3 million (2015: EUR 80.1 million). Short-term borrowings increased to EUR 193.4 million (2015: EUR 99.7 million). This figure also includes the current portion of long-term borrowings. This increase was due to the above-mentioned reclassification of the tranche of the Schuldschein loan.

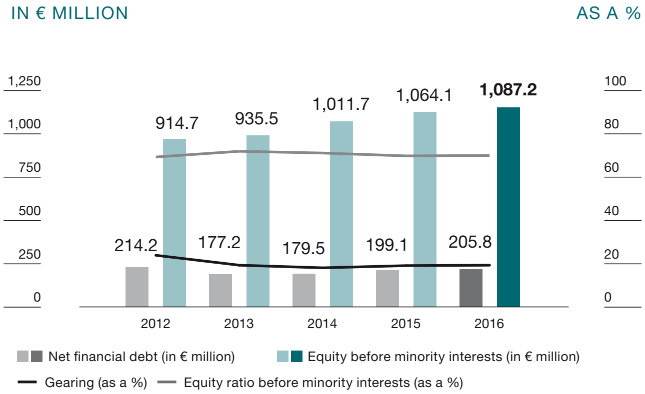
NET FINANCIAL POSITION

IN € K

	2016	2015	2014	2013	2012
Long-term borrowings	-30,019	-124,415	-126,593	-130,594	-134,807
Short-term borrowings	-190,530	-99,308	-66,682	-61,698	-97,853
Current portion of long-term borrowings	-2,861	-375	-441	-428	-437
Cash and cash equivalents	17,572	25,019	14,200	15,533	18,868
Total net financial position	**-205,838**	**-199,079**	**-179,516**	**-177,187**	**-214,229**

FIG. 7 Healthy assets and financials

BALANCE SHEET RATIOS 2012 TO 2016



- High equity ratio: 68.8 percent (2015: 68.6 percent)
- Low gearing: 18.9 percent (2015: 18.7 percent)
- Net financial debt: EUR 205.8 million (2015: EUR 199.1 million)
- Only around 40 percent of credit lines utilized

Net financial debt at December 31, 2016, amounted to EUR 205.8 million (2015: EUR 199.1 million). Gearing[1] increased slightly from 18.7 percent at the start of the year to 18.9 percent at the closing date. The company's financing structure thus remains strong for the industry. Please refer to item 29 in the Notes ("Risk management/Capital management") for further information on calculating net financial debt. → Page 163

Financial structure
Please refer to the "Financial liabilities" section, item 19 in the Notes to the Consolidated Financial Statements, for information on the financial structure, financial covenants and the terms of covenants. → Page 151

Off-balance-sheet assets and financial instruments
In addition to the assets shown in the consolidated balance sheet, the Group also makes customary use of assets that cannot be recognized in the balance sheet. These generally refer to leased, let or rented assets (operating leases). Please refer to the "Other financial liabilities" section, item 24 in the Notes to the Consolidated Financial Statements. → Page 156

The Group utilizes off-balance-sheet financial instruments, such as receivable sales programs, to a limited extent only.

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

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

Developments in Q4 2016

Group revenue for the fourth quarter of 2016 decreased 2.8 percent relative to the prior-year quarter to EUR 347.9 million (Q4 2015: EUR 357.9 million). Adjusted to discount currency effects, this corresponds to a decrease of 2.1 percent.

[1] Gearing = net financial debt/equity before minority interests.

Gross profit amounted to EUR 92.7 million (Q4 2015: EUR 90.6 million). The gross profit margin increased to 26.7 percent (Q4 2015: 25.3 percent). Profit before interest and tax (EBIT) decreased 19.2 percent to EUR 18.1 million. This corresponds to an EBIT margin of 5.2 percent (Q4 2015: EUR 22.4 million; 6.3 percent). Group profit for the period amounted to EUR 11.0 million (Q4 2015: EUR 12.4 million). This corresponds to a drop of 11.3 percent. Net return on revenue decreased to 3.2 percent (Q4 2015: 3.5 percent).

Regional developments in Q4

In Europe, Q4 revenue increased 4.1 percent to EUR 258.8 million (Q4 2015: EUR 248.6 million); adjusted to discount currency effects, this is a rise of 5.4 percent. Profit before interest and tax (EBIT) totaled EUR 15.8 million and was thus below the same figure for the prior-year period despite the rise in revenue (Q4 2015: EUR 17.8 million). This is due to a change in the product and country mix and weaker demand in the agricultural sector.

Revenue for the fourth quarter in the Americas fell 20.9 percent relative to the previous year to EUR 74.7 million (Q4 2015: EUR 94.4 million). Adjusted to discount currency effects, this corresponds to a decrease of 21.6 percent. Profit before interest and tax (EBIT) fell to EUR -6.7 million (Q4 2015: EUR -3.0 million). Profit here was affected by the ongoing downturn in the oil and gas industry and the agricultural sector as well as quality issues with suppliers for skid steer loader production.

In the Asia-Pacific region, revenue decreased 3.4 percent from EUR 14.9 million in the prior-year quarter to EUR 14.4 million. Adjusted to discount currency effects, this corresponds to a decrease of 3.0 percent. Segment earnings before interest and tax (EBIT) amounted to EUR -2.8 million (2015: EUR -1.9 million).

For further information, refer to the section “Segment reporting by region”. → Page 77

Segment reporting by business segment in Q4

Light equipment revenue before cash discounts for the fourth quarter decreased 12.8 percent relative to the previous year to EUR 84.3 million (Q4 2015: EUR 96.7 million). When adjusted by currency effects, revenue fell 12.6 percent.

Compact equipment revenue before cash discounts fell to EUR 188.5 million. This is a 1.3 percent drop from the previous year’s figure of EUR 190.9 million. Adjusted by currency effects, this corresponds to a decrease of 0.1 percent. Revenue generated by agricultural equipment fell 10.0 percent in Q4 2016 to EUR 46.9 million (Q4 2015: EUR 52.1 million).

Revenue before cash discounts in the services segment grew by 5.6 percent to EUR 81.2 million in the fourth quarter (Q4 2015: EUR 76.9 million). This corresponds to a rise of 5.9 percent when adjusted to discount currency effects.

For further information, refer to the section “Segment reporting by business segment”. → Page 79

DEVELOPMENT IN Q4

IN € MILLION

	Q4 2016	Q4 2015	Change
Indicator			
Revenue	347.9	357.9	-2.8%
Gross profit	92.7	90.6	2.3%
Gross profit margin as a %	26.7	25.3	1.4 PP
EBIT	18.1	22.4	-19.2%
EBIT margin as a %	5.2	6.3	-1.1 PP
Profit for the period	11.1	12.4	-10.5%
EPS (in €)	0.16	0.18	-10.5%
Revenue according to region			
Europe	258.8	248.6	4.1%
Americas	74.7	94.4	-20.9%
Asia-Pacific	14.4	14.9	-3.4%
EBIT according to region			
Europe	15.8	17.8	-11.2%
Americas	-6.7	-3.0	123.3%
Asia-Pacific	-2.8	-1.9	47.4%
Revenue according to business segment[1]			
Light equipment	84.3	96.7	-12.8%
Compact equipment	188.5	190.9	-1.3%
Services	81.2	76.9	5.6%
Cash flow			
Changes in working capital	10.3	45.5	-77.4%
Cash flow from operating activities	36.7	78.2	-53.1%
Cash flow from investment activities	-18.3	-32.0	-42.8%
Investments (property, plant and equipment and intangible assets)	-19.1	-34.8	-45.4%
Free cash flow	18.5	46.2	-60.0%
Cash flow from financing activities	-15.7	-40.2	-60.9%

[1] Consolidated revenue before cash discounts.

Free cash flow in the fourth quarter
Free cash flow in the fourth quarter decreased to EUR 18.5 million (Q4 2015: EUR 46.2 million). This was due to the fall in profit before tax (EBT) and a smaller reduction of inventory relative to the prior-year quarter.

General overview of economic situation

Group revenue for 2016 remained at the same level as the previous year. Profit was negatively impacted by a change in the regional and product mix as well as regional crises in key markets for the Group and currency shifts. The Group has implemented appropriate measures aimed at increasing profit in the long-term.

With an equity ratio before minority interests of 68.8 percent and gearing of 18.9 percent, the Group's financials and assets remain strong for the industry. → FIG. 7/page 71 At the close of 2016, the Group was still in a healthy financial position. In light of the secure liquidity situation and the fact that the Group has still not drawn on around 60 percent of its credit lines, the Group will be able to meet all of its financial obligations in the current year. In line with its strategy, the Group is committed to further growth – at an international level in particular – and increasing its presence in core markets.

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

The Annual Financial Statements of Wacker Neuson SE have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (Aktiengesetz). For the 2016 fiscal year, the Management Report of Wacker Neuson SE has been combined with the Group Management Report.

The Annual Financial Statements describe the results of business activities conducted by Wacker Neuson SE during fiscal 2016. Here it should be noted that the company has been operating as a management and holding company since fiscal 2011.

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

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

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

The Annual Financial Statements are prepared in accordance with the German Commercial Code (HGB), in the version that includes the provisions of the German Accounting Directive Implementation Act (BilRUG). The income statement is prepared in the "cost-of-sales" format.

Revenue for 2016 amounted to EUR 15.9 million (2015: EUR 0). This was generated through the provision of services by Wacker Neuson SE to its affiliates, which included, on the one hand, the provision of management services (EUR 13.6 million) and, on the other, renting office space at the Munich site to the affiliates based there and also to an external tenant (EUR 2.3 million). A comparison with prior-year revenue figures is not possible due to the amendment of Section 277 (1) HGB to include the provisions of BilRUG. Under application of the BilRUG version of Section 277 (1) HGB, revenue in the amount of EUR 15.6 million would have been reported for the previous year.

INCOME STATEMENT FOR WACKER NEUSON SE (CONDENSED VERSION)

IN € K

	2016	2015
Revenue	15,847	0
Cost of sales	-14,662	0
Gross profit	**1,185**	**0**
General and administrative expenses	-25,343	-29,445
Other income	36,358	39,968
Other expenses	-12,735	-10,349
Income from participating interests	32,135	69,174
Income from profit transfer agreements	18,844	23,901
EBIT	**50,444**	**93,249**
Interest and similar income	12,128	10,497
Write-downs on financial assets	-4,636	-4,950
Interest and similar expenses	-6,815	-8,455
Taxes on income and earnings	-8,620	-9,962
Profit before tax (EBT)	**42,501**	**80,379**
Other taxes	-126	-291
Net profit/loss	**42,375**	**80,088**
Profit/loss carried forward	69,487	24,468
Retained earnings	**111,862**	**104,556**

The BilRUG amendment also affected costs: Cost of sales amounted to EUR 14.7 million and gross profit totaled EUR 1.2 million.

As a result, administrative expenses and other income also decreased correspondingly. General and administrative expenses amounted to EUR 25.3 million in fiscal 2016 (2015: EUR 29.4 million). Other income came to EUR 36.4 million. This figure primarily includes income from the provision of IT services and from currency conversions. In 2015, other income was posted at EUR 40.0 million.

The dividend payment made by Wacker Neuson SE to its shareholders is dependent on the performance of its holding entities and the profit that they yield. In 2016, Wacker Neuson SE received EUR 32.1 million in dividends from the Group (2015: EUR 69.2 million). This decrease is due to the dividend payments of a subgroup being deferred to the next fiscal year.

Income from shareholdings in companies (dividends plus income from profit transfer agreement) amounted to EUR 51.0 million (2015: EUR 93.1 million). The income from the profit transfer agreement stems from a agreement concluded between an affiliate and Wacker Neuson SE.

Wacker Neuson SE realized profit before interest and tax (EBIT) of EUR 50.4 million (2015: EUR 93.2 million).

Income after tax came to EUR 42.5 million (2015: EUR 80.1 million). This resulted in profit for the period of EUR 42.4 million (2015: EUR 80.1 million).

Assets and financials

Group software licenses, primarily for the ERP (Enterprise Resource Planning) system as well as for the operating systems and office applications deployed across the Group are capitalized at Wacker Neuson SE. The holding company provides Group members with these licenses in return for a fee. At December 31, 2016, Wacker Neuson SE reported intangible assets of EU 11.1 million for licenses and similar rights (2015: EUR 10.1 million).

The property held by Wacker Neuson SE refers to the site of the Group headquarters in Milbertshofen, Munich (Germany). Wacker Neuson SE reported property, plant and equipment in the amount of EUR 32.8 million at December 31, 2016 (2015: EUR 33.8 million).

The financial assets reported by Wacker Neuson SE refer to its holdings in all Group members within and beyond Germany and to loans to associated companies. At December 31, 2016, financial assets amounted to EUR 734.0 million (2015: EUR 736.3 million). This change resulted from capital increases of EUR 4.0 million (2015: EUR 6.4 million), a reduction in capital of EUR 2.5 million (2015: EUR 0.1 million), additions to shares in the amount of EUR 0.1 million (2015: EUR 9.0 million), an impairment loss in line with Section 253 (3) sent. 3 HGB in the amount of EUR 4.6 million (2015: EUR 4.9 million) and write-ups in the amount of EUR 2.7 million. The EUR 2.0 million decrease in loans to associated companies (2015: EUR 2.0 million increase) was due to medium-term loans being reclassified as short-term loans.

Total assets attributable to Wacker Neuson SE amounted to EUR 777.9 million at the closing date (2015: EUR 780.2 million).

Wacker Neuson SE does not hold any inventory.

Trade receivables due from customers and sales partners within Germany and beyond also accrue almost entirely to the operational companies. Receivables from affiliated companies rose to EUR 373.7 million (2015: EUR 323.7 million). Wacker Neuson SE receivables are mainly related to its shareholdings in Group members, in particular resulting from cash pool borrowings.

Wacker Neuson SE reported liquid funds of EUR 101.8 million at December 31, 2016 (2015: EUR 71.6 million).

Total current assets amounted to EUR 480.1 million at the closing date (2015: EUR 396.7 million). The balance sheet total came to EUR 1,258.9 million (2015: EUR 1,177.8 million).

At December 31, 2016, the company's equity amounted to EUR 848.8 million (2015: EUR 841.5 million). Wacker Neuson SE's share capital remained stable at EUR 70.14 million. This refers to 70,140,000 registered shares, each representing a proportionate amount of the share capital of EUR 1.00.

Other provisions amounted to EUR 14.6 million (2015: EUR 19.6 million).

Wacker Neuson SE has significant external financial liabilities as a result of the cash pools and other financing agreements with Group companies. These liabilities are managed by the holding's corporate treasury department, which is the central instance responsible for securing and managing liquidity across the Group. Borrowings from banks increased to EUR 167.8 million (2015: EUR 132.9 million). This increase stems primarily from short-term credit that Wacker Neuson SE took out in foreign currencies and extended to affiliate companies. External loans taken out by Wacker Neuson SE are extended to affiliates at prevailing market conditions.

Payables to associated companies include fixed-term, intercompany loans and current liabilities from the cash pool. At the closing date, payables to affiliated companies amounted to EUR 102.8 million (2015: EUR 57.3 million).

Other liabilities amounted to EUR 123.4 million (2015: EUR 125.5 million) and include the Schuldschein loan that the company raised in 2012.

BALANCE SHEET OF WACKER NEUSON SE (CONDENSED VERSION)

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Intangible assets	11,086	10,145
of which: licenses for industrial property rights and similar	10,200	10,145
of which: payments on account	886	0
Property, plant and equipment	32,788	33,804
of which: land, land titles and buildings on third-party land	31,362	32,525
of which: machinery and equipment	0	0
of which: office and other equipment	1,426	1,244
of which: payments on account/assets under construction	0	35
Financial assets	734,000	736,260
of which: shareholdings in affiliated companies	733,250	733,558
of which: loans to affiliated companies	750	2,702
of which: other loans	0	0
Assets	**777,874**	**780,209**
Trade receivables	10	0
Receivables from affiliated companies	373,709	323,716
Other assets	4,564	1,367
Liquid funds	101,777	71,577
Current assets	**480,060**	**396,660**
Deferred items	**960**	**907**
Balance sheet total (assets)	**1,258,894**	**1,177,776**
Equity	**848,779**	**841,474**
of which: subscribed capital	70,140	70,140
of which: capital reserves	583,999	583,999
of which: revenue reserves	82,778	82,778
of which: retained earnings	111,862	104,557
Special tax-free reserves	**26**	**35**
Other provisions	**14,597**	**19,580**
Liabilities	**395,468**	**316,673**
of which: borrowings from banks	167,806	132,856
of which: trade payables	1,507	1,017
of which: payables to affiliated companies	102,768	57,297
of which: other liabilities	123,387	125,503
Deferred items	**24**	**14**
Balance sheet total (liabilities)	**1,258,894**	**1,177,776**

DIVIDEND TRENDS

	2017[1]	2016	2015	2014	2013
Total payout (€ m)	35.07	35.07	35.07	28.06	21.04
Payout ratio (as a % of Group profit for previous years)	61.7	53.0	38.3	45.9	38.9
Eligible shares (in m)	70.14	70.14	70.14	70.14	70.14
Dividend per share (in €)	0.50	0.50	0.50	0.40	0.30

[1] Dividend proposal for the AGM on May 30, 2017.

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

Dividend proposal

The Executive Board and Supervisory Board of Wacker Neuson SE will propose a dividend of EUR 0.50 per eligible share (2016 paid for 2015: EUR 0.50) at the AGM on May 30, 2017 (based on a total of 70.14 million eligible shares). In total, therefore, the company will be paying out the same amount as last year: EUR 35.07 million. The distribution ratio pans out at around 61.7 percent based on Group profit for 2016 in the amount of EUR 56.8 million.

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

Forecast of Wacker Neuson SE

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

Statement from the Executive Board pursuant to Section 312 AktG

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

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

The Executive Board

Segment reporting by region

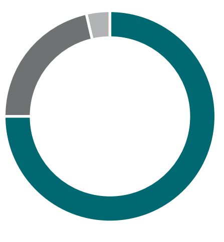
- Europe breaks one-billion revenue barrier for first time
- Fall in revenue in North America
- Slight revenue growth in Asia-Pacific

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

Segment reporting provides an overview of business developments according to region (Europe[1], Americas and Asia-Pacific). These geographical segments form the basis for corporate governance.

Group revenue for 2016 increased again in the core market Europe. The results for the business segments show that the Group's strategy of increasingly distributing compact equipment via its expanding global sales network is taking effect.

SALES BY REGION
AS A % (2015)



75.0	Europe (71.2)
21.4	Americas (25.3)
3.6	Asia-Pacific (3.5)

Europe

Revenue growth in core market Europe
The Europe region accounts for the lion's share of Group revenue at 75.0 percent (2015: 71.2 percent). Group revenue for the period in this region increased by 4.2 percent to EUR 1,020.7 million (2015: EUR 979.3 million). When adjusted to discount currency effects, this corresponds to a rise of 5.6 percent. Once again, Germany achieved the strongest sales in the Europe region last fiscal year. Business on the German market in 2016 benefited from ongoing construction and infrastructure maintenance projects on the one hand and from the revival in residential construction on the other. New product launches and an enhanced service offering also strengthened the Group's position in the German market.

In the rest of Europe, revenue development varied from region to region. The Group reported gains in Germany, Austria and Switzerland as well as in Denmark and Benelux countries. Business developed well in France. The market here recovered rapidly from the dramatic slump in the previous year with a sharp rise in revenue. In contrast, Poland, the UK, Norway and Spain remained below the previous year's level.

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

Profit before interest, tax, depreciation and amortization (EBITDA) decreased to EUR 167.3 million (2015: EUR 177.4 million). Profit before interest and tax (EBIT) fell to EUR 97.9 million (2015: EUR 112.7 million).

The fall in earnings was caused by the following factors:
- Low prices for foodstuffs such as milk continue to dampen willingness to invest – in particular in agricultural technology – among landholders in the European agricultural sector.
- The UK, Spain and Eastern European countries such as Poland and Russia developed below expectations and below the previous year's level.
- The one-off projects aimed at strengthening the Group's competitive position were primarily attributable to the Europe region.

Americas

Mixed picture across the region
Revenue for 2016 in the Americas fell 16.2 percent relative to the previous year to EUR 291.9 million (2015: EUR 348.5 million).

In 2016, the average EUR/USD exchange rate was EUR 1 to USD 1.11. This is identical to the previous year (2015: EUR 1 to USD 1.11). There were differences in exchange rates between the euro and the Canadian dollar and currencies in South America. When adjusted to discount currency effects, the fall in revenue in the region was slightly less pronounced at 15.3 percent.

At 21.4 percent, the region's share of total revenue fell below the prior-year level (2015: 25.3 percent). As in previous years, the US accounted for the lion's share of Group revenue in this region. Current uncertainties in South America also had an impact on

[1] Including South Africa, Turkey and Russia. The Wacker Neuson Group includes these countries in its Europe segment even though – geographically speaking – they are located outside of the region.

demand in these markets. However, the Group continues to view these countries as growth markets.

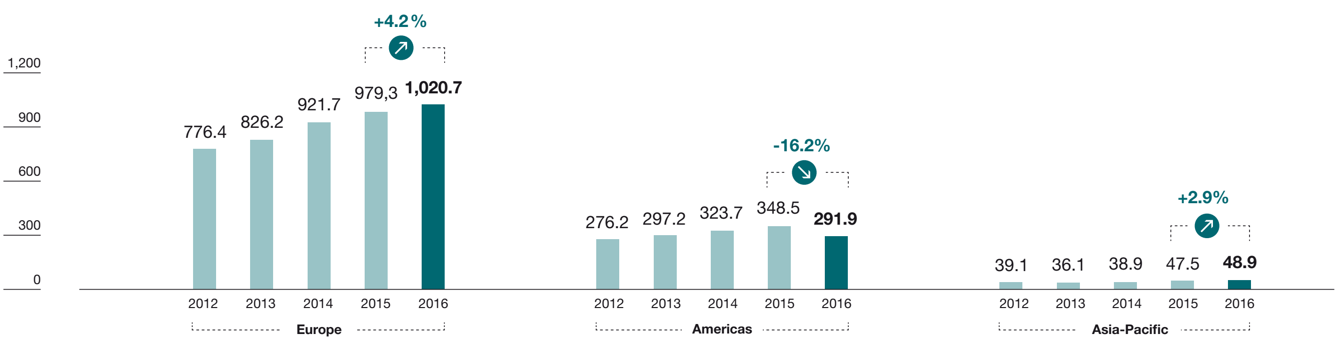
EBITDA amounted to EUR 0.0 million (2015: EUR 14.0 million). EBIT fell from EUR 4.4 million in the previous year to EUR -9.3 million.

The fall in revenue and earnings was caused by the following factors:

- Demand in the oil and gas industry in Canada and the US has collapsed due to the low price of oil.
- Equipment and machines that could no longer be sold in the oil and gas sector were distributed in other industries instead, which reduced demand for new equipment.
- Willingness to invest in machines for the agriculture sector in North America was significantly lower than in the previous year.
- The Group was not able to achieve planned revenue and profit levels with compact equipment manufactured in the US due to quality issues with suppliers.
- The dollar's relatively strong rating against the Canadian dollar and South American currencies had a negative impact on exports of products manufactured at the Group's North American plants.
- Current uncertainties in Brazil and Mexico also had an impact on demand in these markets. The ongoing crisis in Chile also prevented markets there from recovering more rapidly.
- Profit was affected by one-off start-up costs for the new mobile generator production facility in Brazil.

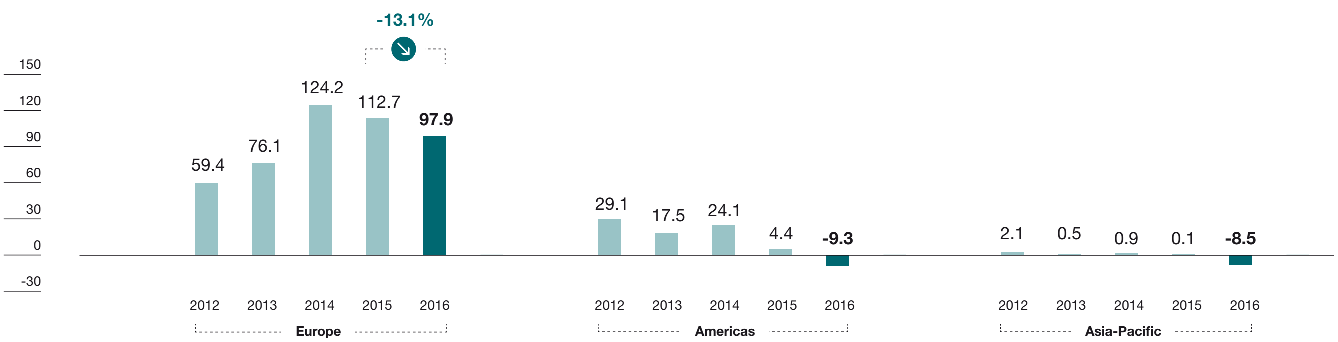
SALES BY REGION 2012 TO 2016

IN € MILLION



EBIT BY REGION 2012 TO 2016[1]

IN € MILLION



[1] Segment reporting was adjusted in 2015 due to further developments in internal reporting. Intrasegment business transactions were previously reported under EBIT for the individual segments. Now they are listed in the Consolidation column. Figures for 2013 and 2014 have been adjusted accordingly; figures for 2011 and 2012 remain unchanged.

The Group is gradually expanding its dealer network in North and South America to ensure it has the reach to distribute both its light and compact equipment offerings over as wide an area as possible here. The relocation of skid steer loader production from the Austrian town of Hörsching (near Linz) to Milwaukee (Wisconsin) was an important step that will help drive future growth in the region. North America is by far the largest market for skid steer loaders in the world. The relocation will strengthen the competitive position of this product line, especially with regard to current and future currency shifts.

Asia-Pacific

Slight rise in revenue despite ongoing downturn in Australia
In the Asia-Pacific region, revenue increased 2.9 percent from EUR 47.5 million in the previous year to EUR 48.9 million; adjusted to discount currency effects, this represents a rise of 6.0 percent. The region's share of total revenue was 3.6 percent (2015: 3.5 percent).

While revenue in Asian countries developed positively with double-digit growth, demand remained very subdued in Australia and New Zealand. This was due in particular to the ongoing pressure in the mining sector and knock-on effects for related industries, which meant that customers and rental chains adopted a cautious approach to investment in machinery.

EBITDA fell to EUR -7.6 million (2015: EUR 1.0 million). EBIT amounted to EUR -8.5 million (2015: EUR 0.1 million).

The fall in earnings was caused by the following factors:
- The crisis in the Australian raw materials sector and related industries, which has been ongoing for many years now.
- The relocation of production from the Philippines plant to the Reichertshofen facility squeezed revenue and earnings reported by the Asian plant.
- Investments in sales and logistics as well as the construction of a production plant in China, which will open the way for future growth.

Growing strategic importance of emerging markets
Emerging economies such as China and India are still at the early stages of infrastructural and industrial development. In recent years, these countries primarily required heavy equipment for example, to build road and rail networks as well as tunnels, power plants and pipelines. These product categories are currently suffering from falling investments in Asia, in particular in China. In contrast, demand for repair and maintenance work on infrastructures is growing, especially in megacities. This trend is bolstering sales of Group products.

China and Southeast Asia are key future markets for the Group – notwithstanding short-term uncertainties surrounding economic growth and currency developments. In order to expand its product portfolio in line with market needs and to secure a stronger competitive position, the Group started to distribute light equipment products tailored to local market dynamics in 2012. The bulk of these products are made in the region, for the region. The Group has also started to distribute compact equipment in Asia, primarily in China.

In 2016, the Wacker Neuson Group's revenue from emerging markets[1] was around 8 percent lower than the previous year due to the current slump in demand in these markets. The region's share of total revenue in 2016 thus fell to 10.8 percent (2015: 11.6 percent).

Segment reporting by business segment

- Difficult market conditions for light equipment
- Growth in the compact equipment segment
- Services segment is important complement to the new equipment business

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

REVENUE BY BUSINESS SEGMENT[1]
AS A % (2015)

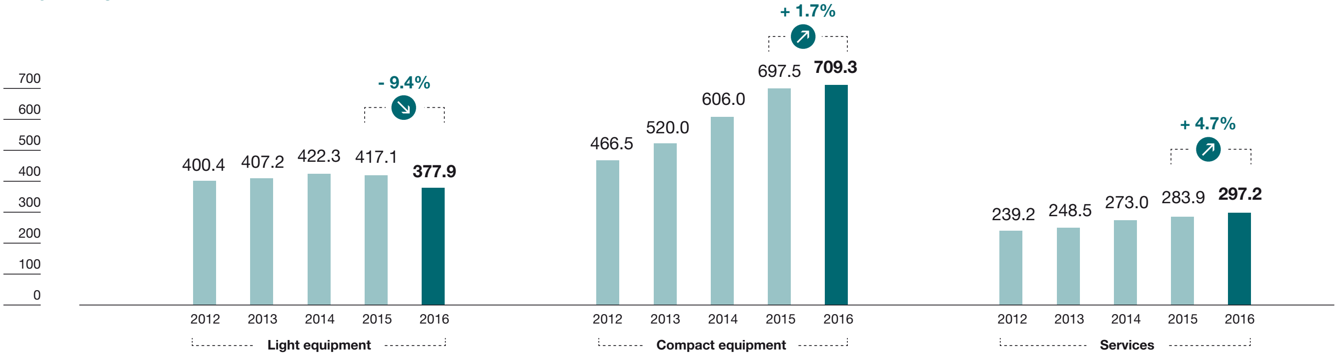
27.3	Light equipment (29.8)
51.2	Compact equipment (49.9)
21.5	Services (20.3)

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

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

DEVELOPMENT BY BUSINESS SEGMENT 2012 TO 2016

IN € MILLION



Light equipment

Drop in revenue in the light equipment segment

The light equipment business segment covers the Wacker Neuson Group's activities within the strategic business fields of concrete technology, compaction and worksite technology. Production is synchronized with demand and delivery times are short. Orders are usually delivered within a few days. The Group therefore does not report any detailed information on the order situation.

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

Revenue in the concrete technology and soil compaction business fields increased relative to the previous year. In contrast, revenue in the worksite technology sector contracted. This was primarily due to a collapse in demand in the North American oil and gas sector. The light equipment business as a whole was also impacted by crises in emerging markets and the mining sector. Total light equipment revenue before cash discounts for the year as a whole decreased 9.4 percent to EUR 377.9 million (2015: EUR 417.1 million). Adjusted to discount currency fluctuations, this corresponds to a fall of 7.7 percent. The segment's share of total revenue amounted to 27.3 percent (2015: 29.8 percent).

In 2016, the Group launched numerous product innovations and new models in the light equipment segment, in particular in the soil compaction business field. These are described in more detail in the "Research and development" section. → Page 82

The Group is establishing a range of light equipment products tailored to the Asian market and other emerging economies such as South America and Africa (M series). These products are robust and built to the high quality standards of the Wacker Neuson Group.

Compact equipment

Slight revenue growth in the compact equipment segment

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

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

Compact equipment revenue before cash discounts increased 1.7 percent from EUR 697.5 million in the previous year to EUR 709.3 million. This growth was primarily fueled by strong demand in the construction sector. Adjusted to discount currency effects, revenue grew by 2.8 percent. The segment's share of total revenue thus expanded to 51.2 percent (2015: 49.9 percent).

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

Accumulated order intake for compact equipment in Q4 2016 was around one third higher than in the previous year. The order backlog at the close of the year was slightly higher than the previous year.

The Wacker Neuson Group develops technical innovations to continually expand and improve its compact equipment portfolio. These are described in more detail in the "Research and development" section. → Page 82

Slight drop in revenue in the agricultural sector
In 2016, revenue generated by agricultural equipment contracted 4.5 percent to EUR 184.1 million (2015: EUR 192.7 million). This decrease was due to the downturn in the agricultural sector and particularly pronounced in Europe. Agricultural compact equipment (including machines produced for CLAAS as part of the strategic alliance) accounted for 13.5 percent of total Group revenue in 2016 (2015: 13.8 percent).

At the closing date, the order backlog for agricultural compact equipment was higher than in the previous year. Global competition in the agricultural market continues to rise and this means that landholders will at least have to make medium-term investments in order to raise the efficiency of their operations.

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

Services

Growth in the services segment
The Wacker Neuson Group places great importance on customer proximity as well as intensive, individual support. The Group therefore complements new equipment sales with an extensive range of services. The services segment covers the business fields of repair and spare parts, used equipment, financing, telematics and rental in Central Europe.

In 2016, revenue before cash discounts in the services segment increased 4.7 percent to EUR 297.2 million (2015: EUR 283.9 million). Adjusted to discount currency effects, this corresponds to a rise of 5.7 percent. This segment's share of total revenue thus increased to 21.5 percent (2015: 20.3 percent).

Services resonate strongly among customers
The Group's customer-centric strategy in the traditional repair and spare parts business again yielded results in 2016. The Wacker Neuson rental fleet offering in Central Europe gives customers additional flexibility. When the order situation is healthy, the machines can be made available on the spot. Again in 2016, Wacker Neuson sales and service stations responded with great flexibility to customer requirements, making rental equipment available at short notice wherever it was needed. The Group's own rental business, which also includes the sale of used equipment (Wacker Neuson Used), proved to be the main growth driver in the services segment. The Wacker Neuson Used concept allows customers to trade in their used equipment. Wacker Neuson reconditions these used machines and professionally sells them in the used equipment market. The online sales platform →www.used.wackerneuson.com is very popular among customers.

REVENUE BY BUSINESS SEGMENT
IN € MILLION

	2016	2015	Change as a %
Light equipment	377.9	417.1	-9.4
Compact equipment	709.3	697.5	1.7
Services	297.2	283.9	4.7
Less cash discounts	-23.0	-23.2	-0.9
= Total revenue	**1,361.4**	**1,375.3**	**-1.0**

RESEARCH AND DEVELOPMENT[1]

	2016	2015	2014	2013	2012
R&D costs (€ m)	34.8	33.6	28.8	25.7	26.8
R&D share (as a %)	2.6	2.4	2.2	2.2	2.5
Capitalized expenses (€ m)	11.4	11.0	12.5	10	7.4
R&D costs (incl. capitalized expenses) (€ m)	46.2	44.6	41.3	35.7	34.2
R&D share (incl. capitalized expenses) (as a %)	3.4	3.2	3.2	3.1	3.1
Share of employees working in R&D (as a %)	rd. 8	rd. 8	rd. 8	rd. 8	rd. 8

[1] Previous years adapted to current booking basis.

Other factors that impacted on results

Research and development

- Cross-factory innovation team
- New products added to zero emissions range
- Digitalization and virtual product development

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

Coordination through cross-factory innovation team
The Group's R&D departments are responsible for the development of new products and the ongoing evolution of existing models. The Group develops products at the following locations: light equipment products are developed in Reichertshofen (Germany), Menomonee Falls (USA), Norton Shores (USA), Itatiba (Brazil) and Manila (Philippines); compact equipment is developed at the sites in Pfullendorf, Flechtdorf/Korbach (Germany), Hörsching (Austria) and Menomonee Falls (USA). In the future, the Group plans to concentrate more of its product development and manufacturing activities within the main sales markets for these products. This will help the Group tailor its development, delivery and service performance to the specific requirements of its global customers.

Uniform processes and Group standards are drawn up and implemented at various locations together with the Corporate Technology, Standardization & Design central coordination team, which is also responsible for the technology roadmap and global product design. Expert committees have been set up to identify strategic topics and facilitate global exchange between technical experts.

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

Looking beyond functional design, development work also focuses heavily on user ergonomics. Group engineers are working on new drive concepts like electric and battery-powered drives, and on ways to improve energy efficiency and standardize the components of different models and product groups. The industry – therefore also the Wacker Neuson Group – is currently focusing a significant portion of development resources on compliance with stricter legislation, especially in the area of emissions. Which is why, in addition to developing new products, we focused our R&D efforts in 2016 on compliance with more stringent environmental regulations governing combustion engine emissions. Components such as engines, cooling systems and exhaust gas treatment systems have yet to be modified. For further information on new exhaust emissions regulations, please refer to the "General legal framework" section.
→ Page 55

The Group regards prioritizes its eco-efficiency activities as a key instrument in meeting demand for products that are even more environmentally sound and safe. Meanwhile, the Group is also making progress in the delivery of environmentally friendly services. Telematics, for example, enables users and machines to communicate automatically. It records operating hours, ensuring maintenance is carried out at the appropriate intervals. This enables the machines to be used in a as efficient and environmentally friendly way as possible.

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

Understanding of the market aided by front loading
The Wacker Neuson Group uses front loading as a key part of its enhanced product development process. The idea is to involve customers at an early stage of product development. The feedback is incorporated into development projects straight away. These cutting-edge insights contribute not only to continuous product improvement, but also help to drive technical innovation through dedicated answers to concrete customer problems. The benefit of value engineering is that costs can be optimized at an early stage of the design process, helping to make the products competitive when they reach the market.

Digitalization and virtual product development
The Wacker Neuson Group is evaluating and deploying new technologies to develop its compact equipment. The opportunities presented by virtual and augmented reality are already being harnessed in industrial and product design and will in the future be used to optimize the planning of production ramp-ups. Non-linear system simulation methods are also used to simulate drive technology systems in connection with multibody models.

Staff profile
The Wacker Neuson Group employs around 4,800 people (excluding temporary staff) worldwide. Around 8 percent of employees work in research and development. The R&D payroll mainly consists of mechanical and electrical engineers, technical engineers and other skilled workers. The Group provides suitable ongoing training for these employees to help them master their demanding jobs.

New products and innovations in 2016
2016 was a strong year for new product innovations in the Group. Various basic models were developed for the global market and these can be adapted to meet country-specific requirements thanks to numerous options and model variants.

New products added to zero-emissions range
Towards the end of 2014, the Group launched the world's first battery-powered rammers equipped with electric motors for emissions-free operation. Demand for these products proved strong in 2016. The benefits of the technology are clear: zero-emissions operation to protect both worker health and safety and the environment, and around 55 percent lower energy costs. The current battery capacity allows continuous operation for approximately 30 minutes. The technology in this sector is advancing at such a fast pace, however, that the next generation of rechargeable batteries available in spring 2017 will extend the rammer's operating time by 50 percent. These new batteries can also be used in the current generation of rammers.

The entire zero-emissions range is being very well received by the market. Further sales increases were recorded for the dual power mini excavator, the WL20e electric wheel loader, the DT10e electric track dumper and battery-powered rammers. All of these products were also rolled out to new markets. Wacker Neuson also operates fully equipped rental parks in the Central European markets so that customers can test products without obligation prior to making a purchase decision. New to the range is the Kramer 5055e electric loader, the first all-wheel drive wheel loader with an electric drive. It can be operated for up to five hours thanks to a high battery capacity and is much cheaper to run and service compared to the diesel version. Although the zero-emissions range is still in its early days, it is expected that these products will become the preferred choice over combustion engine products in many applications in the long term.

bauma 2016: Innovative solutions
Products from Wacker Neuson and Kramer were presented in an exhibition space measuring over 5,300 m² at bauma 2016. The focus was on innovative solutions to meet and even exceed rising customer expectations regarding efficiency, performance, environmental protection and operator safety. The highlight of Kramer's presentation at bauma 2016 was the expert jury awarding the innovation prize to the 5055e electric loader, which beat off competition from hundreds of different products. For Wacker Neuson, the zero-emissions line was likewise in the spotlight at bauma.

As one of the market leaders in soil compaction with light equipment, Wacker Neuson presented a whole range of new vibratory plates, including five reversible models from the high-performance range. The five vibratory plates with a centrifugal force of between 80 kN and 110 kN are available as walk-behind or infrared remote control options. Extremely sturdy and power-efficient, they are also fitted with a powerful yet quiet motor. The VP and WP ranges are – like all vibratory plates from Wacker Neuson – made in Germany. The base plate of both model ranges is made of a wear-resistant material with a high-quality surface finish, making it particularly suitable for the compaction of asphalt.

Wacker Neuson also drew attention to its Vertical Digging System (VDS) for excavators, which allows the operator to compensate for uneven ground by up to 15 degrees at the touch of a button from within the cabin. This innovation makes the operator's work much easier, thus increasing efficiency. Other excavators of interest were the remodeled ET16 mini excavator and the new EZ53 and EZ80 zero tail excavators in the 5- and 8-ton class.

The dual view concept for wheel dumpers was unveiled with a view to gaining feedback from interested customers and dealers. The concept is user-friendly and places a strong focus on operator safety. Dual view allows the operator to rotate the cab of the wheel dumper by 180 degrees so he can always see ahead even with a fully loaded skip. This innovation came as a response to customer requests for greater safety on the construction site. Series production of the concept is expected to go ahead in 2018.

The Wacker Neuson Group's strategic alliance with the Wirtgen Group in the area of soil and asphalt rollers has proved successful. The RC50 and RC70 compactors with operating weights of 5 and 7 tons were presented at bauma. Their compact size provides excellent all-round visibility for the operator. The two companies are expanding their cooperation, which up to now has encompassed 15 tandem and combi roller models, a few of which were on view at the trade fair.

Also new and debuting at bauma were the WL28, WL44 and WL54 wheel loaders from Wacker Neuson. The WL28 model with optimized kinematics offers excellent performance in terms of tipping load, lifting capacity and lifting height and can easily move a pallet of paving stones. The WL44 and WL54 wheel loaders are extremely robust and deliver high levels of productivity on the building site.

The TH627 telescopic handler rated for emissions category III B has been completely remodeled and was unveiled at the trade fair for the first time with its new engine. The large telescopic handlers with lifting heights of seven to nine meters were also presented.

For concrete compaction, Wacker Neuson showed off its wide range of internal vibrators in the basic, advanced and premium lines. The modular IRFUflex internal vibrator was also introduced in time for bauma. It is based on a universal convertor which can be combined with a variety of hose and cylinder options. This makes it particularly suitable for rental parks and construction companies with frequently changing applications.

Wacker Neuson also used the occasion of bauma to present its extensive service offering, which ranges from individual financing solutions through maintenance and repair to rental and used equipment. The Wacker Neuson e-store was another hot topic of discussion. This online platform provides a convenient way for customers to learn more about products, spare parts, accessories and services, check their availability, configure their preferred options in the case of compact equipment and submit orders at any time. The e-store is currently available in Germany, the UK and France and will gradually be rolled out to other countries.

New products for the agricultural sector

In 2016, Weidemann added the 1380 model to its well-established Hoftrac® portfolio. Like the other models in the range, its outstanding features include a compact footprint, a low center of gravity, a tight turning radius and powerful performance. The new Hoftrac® also stands out thanks to its huge range of configuration options, which include different motors, axles and drive types. In addition to a variety of loader units and operator's cabs, customers can, as with all Hoftrac® models, choose their preferred hydraulic, tire and attachment options. This modular system gives users the range of fittings and options they need to ensure that the machine they buy exactly corresponds to the intended tasks and the operator's requirements.

From 2017, a high-quality AGM (absorbent glass mat) battery will be installed in the 1160 eHoftrac®, the first electric agricultural loader. This battery delivers better performance and improved recuperation capability (energy recovery), while also generating less heat while charging and during operation for a longer battery life. The AGM battery features an integrated "onboard" charging unit, which eliminates the need for a fixed charging station on site. For charging, any 230-volt socket with a 16-amp constant current load will suffice. Customers can have their eHoftrac® retrofitted with the new AGM technology, for example if their battery is due for replacement.

New engines and options were introduced for the 40- and 50-series wheel loaders and telescopic wheel loaders from Weidemann in 2016. These vehicles now meet the current exhaust emissions standard. Weidemann's portfolio of attachments includes a new hedge shears and a pruning saw for cutting and sawing branches with a thickness of up to 25 mm and 100 mm respectively. A new serrated silage bucket and a serrated bale bucket have also been introduced to make light work of feed handling. Also new to the range is an additional adjustable round and square bale gripper, which is suitable for transporting and stacking wrapped and round bales or square bales.

The Kramer brand also unveiled new products for the agricultural sector in 2016. At the EuroTier trade show in Hanover, Kramer presented the series production version of the KL25.5e electric wheel loader. Being a zero-emissions vehicle, it was possible to demo the first fully electric wheel loader with all-wheel steering at the Kramer stand inside the hall. The KL25.5e wheel loader combines the benefits of electromobility with the familiar and highly-regarded characteristics of the Kramer brand: maneuverability, stability and constant payload.

The compact KT276 telescopic handler with dimensions (height and width) below the two-meter limit, is available with a new engine meeting the requirements of the exhaust emission level III B without a particulate filter since 2016. One particular highlight for telescopic handlers is the new "Smart Handling" feature for overload regulation, which is now available in three operating modes (bucket, forklift and manual). "Smart Handling" is a true driver assistance system which ensures fatigue-free operation for the driver in day-to-day applications.

Awards underscore innovation leadership
Kramer's 5055e electric loader was awarded the innovation prize in the "Machinery" category at bauma 2016, impressing the expert judges ahead of several other nominees. The first all-wheel drive electric wheel loader also received the Swedish technology prize "Maskinentreprenörens Teknikpris 2017". It was singled out for bundling top performance, maneuverability and low service costs in a zero-emissions model. The entire panel of judges was impressed by the fact that an ambitious concept had been turned into a fully functioning and market-ready electric wheel loader.

The battery-powered rammers from Wacker Neuson are the only zero-emissions models available in the market. This makes them the best choice from a health and safety perspective, especially for operators working in deep trenches. The expert judges of the statutory accident insurance and prevention association for the German construction industry agreed, awarding the AS30e and AS50e battery-powered rammers with the EuroTest Prize for solutions meeting the highest quality standards in occupational and product safety.

Wacker Neuson products were again recognized for their outstanding design in 2016, with both the ET90 excavator and the RD-series of tandem rollers receiving an iF Design Award.

The WL20e electric wheel loader from Wacker Neuson was shortlisted in the "Rental Product of the Year" category of the European Rental Awards. For the first time, the judges gave a special mention to a specific product, praising Wacker Neuson for developing an electric wheel loader that responds to market needs for a greater choice of rental machinery for indoor use. The WL20e can be used in greenhouses, tunnels, car parking garages and similar locations, operating quietly with zero emissions. Ease of maintenance and low maintenance costs are always high priorities for rental customers.

In the light equipment segment, the iF Design Award also praised the IEC internal vibrator for delivering maximum user-friendliness, functionality and safety.

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

In fiscal 2016, the Group filed 22 new patents and utility models around the world (2015: 20). 25 patents and utility models were granted (2015: 45). In total, the Wacker Neuson Group owns over 278 patents and utility models worldwide. At EUR 34.8 million, research and development costs for 2016 were higher than in the previous year (2015: EUR 33.6 million). During the period under review, the Group also capitalized costs in the amount of EUR 11.4 million (2015: EUR 11.0 million). The relative R&D ratio (R&D share of total revenue including capitalized expenditure) came to 3.4 percent (2015: 3.2 percent).

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

Production and logistics

- Local production reflects the principle of "in the region, for the region"
- Lean management activities in plants
- Consolidating spare parts in a European logistics center

The Group currently has nine production facilities across the globe. It manufactures light equipment at Reichertshofen (Germany), Menomonee Falls and Norton Shores (both US) and Manila (Philippines). Mobile generator production started up in Itatiba, São Paulo, Brazil, in the second quarter of 2016. Construction of the new plant in Pinghu near Shanghai got officially underway in the final quarter of the year. Once completed in 2018, the facility will manufacture excavators for the Chinese market.

In 2016, the decision was made to transfer the manufacture of small vibratory plates for asphalt compaction among other applications from the Philippines to the competence center for this product group in Reichertshofen. Since Europe is the largest market for vibratory plates, the intention was to leverage synergies on the production side.

The Wacker Neuson Group manufactures compact equipment at factories in Pfullendorf and Korbach (both in Germany) and in Hörsching (Austria). 2016 saw the start of skid steer loader manufacture at the US facility in Menomonee Falls following the 2015 relocation from Hörsching. The move aligns perfectly with the Group's strategic principle of developing and manufacturing products "in the region, for the region". North America is by far the largest and most important regional market for skid steer loaders worldwide.

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

The corporate production & material management department was created towards the end of 2015 and is responsible for coordinating Group-wide standardization and optimization projects and the transfer of know-how between the production sites across the world. One of the priorities in 2016 was to implement factory-wide planning processes and improve the quality of forecasting to make production more cost-efficient. Process management activities were also initiated to improve order processing. The Group also took its initial steps on the journey to creating a "smart factory", with digitalization, networking, and optimization of value adding processes at the forefront of activities. The concrete measures taken included the installation and expansion of digital quality management and assurance systems.

The lean approach: continuous improvement and avoidance of waste

The objective of lean management is to align all activities that are key to adding value, thus ensuring that unnecessary activities can be effectively identified and systematically avoided. The ongoing review and improvement process focuses on meeting customer requirements in terms of availability, individualized solutions, quality and pricing.

Building on the Group-wide introduction of the "ZERO" lean management system and training programs at production sites in 2015, further initiatives followed in 2016. They included globally standardized shop floor boards to make daily production activities more efficient and to coordinate improvements. Management also installed and standardized the "A3" problem solving process including weekly reviews and rolled it out worldwide. By using the methods and principles of "Standard Work", significant productivity improvements were achieved on the assembly lines of pilot plants.

Optimized logistics

For distribution logistics, the focus in 2016 was on optimizing and standardizing the processes at each of the Group's locations. Improved product availability was achieved and the global portfolio of service providers (ocean freight carriers/general freight forwarders and courier, express consignment and parcel delivery service providers) was further optimized in close collaboration with procurement. The delivery timeframe for Wacker Neuson's light equipment offering is less dependent on supplier markets thanks to a high degree of vertical integration. In 2016, lead times for this segment remained between 24 and 48 hours for most products. Compact equipment was delivered within one to ten weeks of order placement.

Consolidating compact equipment spare parts in a European logistics center
The requirements in terms of service and spare parts management have risen significantly in recent years. The increase in the number of product variants, stricter emissions legislation and the introduction of electronic systems and components have resulted in a proliferation of spare parts right across the Group.

The realignment of the Group-wide supply chain strategy focused initially on Europe. In the second quarter of 2016, the compact equipment spare parts for all product brands (WACKER NEUSON, KRAMER and WEIDEMANN) were made available at a single location to guarantee the best possible service to customers. A central spare parts warehouse has already been set up in Nuremberg to fulfill customer orders, replacing the previous system of shipping spare parts to customers from production sites. The switchover did cause some delays and impacted on delivery capabilities to some extent, but every effort is being made to rectify any shortcomings. The logistics center in Karlsfeld remains responsible for the distribution of smaller machinery and light equipment and their spare parts.

Sustainability

- Widening of reporting boundaries in management systems and audits
- Group-wide energy & environment targets defined
- Initiator of cross-industry sustainability round table at bauma 2016

Sustainability as part of a responsible approach to business
As a global player, the Wacker Neuson Group takes its responsibility to all its stakeholders as well as to society and the environment very seriously.

With around 4,800 employees and nine production sites, the Group's business activities have an impact around the world. Climate change and dwindling resources are changing conditions across the globe. As a result, manufacturers are having to comply with stricter legislation governing energy efficiency and the environment.

In 2014, the Group committed to its own energy and environment policy. As a manufacturer, the Wacker Neuson Group strives to play a leading role in the areas of ecology, society, economy, and safety.

THE SUSTAINABILITY SYMBOL OF THE WACKER NEUSON GROUP

The Group has identified the following priorities:

- Ecology (actively protecting the environment)
  - Environmentally friendly products and solutions for customers
  - Energy- and resource-efficient processes in production, sales, logistics and administration
  - Achieving energy and cost savings by using less electricity and heating (energy use control), with the aim of reducing energy costs as a proportion of total costs
- Society (corporate social responsibility)
  - Intensive dialog with customers/stakeholders and involving them in the product development process
  - Building a reputation as an attractive employer
  - Responsible interaction between colleagues
  - Regular engagement in social projects (corporate citizenship)
- Economy (sustainable business practices)
  - Sustainable value chain
  - Reducing operating costs for customers through energy-efficient products (ECO and zero-emissions products)
  - Legal compliance and anti-corruption
  - Integration of management systems (quality, energy, environment)
- Safety (sustainable working conditions)
  - Ensuring the highest occupational safety standards
  - Operator safety and protection for customers and users
  - Maintaining quality across all processes

Publication of Sustainability Fact Book 2016
Following the publication of its first comprehensive sustainability report in 2015 (in line with the internationally applicable reporting guidelines of the Global Report Initiative, G4), the Wacker Neuson Group will provide annual updates on its sustainability progress in compact fact books in addition to the information reported in this Management Report. The fact books can be downloaded at:
→ http://wackerneusongroup.com/en/sustainability/downloads/

For 2017, the Group will report on its sustainability performance in more detail. This will ensure compliance with the current draft bill transposing the EU Directive on non-financial disclosure (CSR directive), which is set to be adopted shortly.

Energy and environment management systems

The majority of the Wacker Neuson Group's production locations have been certified to DIN EN ISO 9001 (quality management). Building on this experience, the Group has been introducing environment and energy management systems (ISO standards DIN EN ISO 14001 and DIN EN ISO 50001) since 2014.

Since 2014, the two management systems (energy and environment) have been gradually rolled out at Group headquarters, the production sites in Germany as well as the Austrian production sites and sales offices. In 2016, the management systems were introduced at 59 sales and service stations in Germany and the European logistics center in Karlsfeld. This brought to 72 the total number of locations using the energy and environment system in 2016 (2015: 13 locations). The effectiveness of the new systems has been reviewed and verified by an external body on three occasions already. The two production facilities and the logistics center in the US were included in the data collection and these locations are expected to be certified in 2017.

Energy and environment targets of the Wacker Neuson Group

The Wacker Neuson Group began defining quality targets for its energy and environment management system in 2014. It also implemented measures to save energy, reduce noise emissions and improve emergency procedures. The scope for improvement identified and the fresh data gathered over the two years were analyzed in 2016 and the first quantitative targets were defined for the locations using the two management systems. Targets aimed at increasing energy efficiency, lowering CO_2 emissions and reducing waste were defined at Group level and adapted to the particular circumstances of each location. Local management and a steering committee are responsible for regular monitoring of targets.

Minimizing impact on the environment

The Group strives to incorporate environmental measures at every step of the value chain. It deploys a range of innovative technologies to achieve this objective, such as water heating systems powered by renewable energy, intelligent lighting, heat recovery in spraying and ventilation facilities, biological wastewater treatment and flue gas recovery from boilers. The Group's carefully designed waste and disposal management system is another measure that helps to conserve natural resources.

An important element of the Group's environmental policy is to raise employees' awareness of measures to save energy and water and reduce waste. Internal training and information events were organized to urge employees to take responsibility for their energy use and environmental impact. The large number of suggestions submitted by employees around the world as part of a competition on how the Group could optimize and improve its overall energy and environmental footprint were also largely implemented in 2016.

Energy consumption

Wacker Neuson has an ongoing commitment to increasing its energy efficiency and reducing its energy costs.

In 2016, the Group consumed 98,463.7 MWh[1] of energy (measurable consumption) – only a slight rise on the previous year (2015: 97,993.4 MWh[1]).

The energy consumption figures for the year under review included additional locations, namely the production sites and logistics center in the US and the German sales and service stations. The 2015 figures have been adjusted accordingly for comparison purposes.

The Wacker Neuson Group hopes to achieve total energy savings of at least 5,000 MWh at the certified locations by the end of 2020 by improving the monitoring and analysis of energy-relevant processes. The first measures designed to achieve this goal were duly implemented in 2016.

[1] Refers to the production sites, administrative locations and logistics centers in Germany, Austria and the US as well as sales offices in Germany and Austria.

ENERGY CONSUMPTION ACCORDING TO ENERGY CARRIER
IN KWH

	2016	2015	Change as a %
Fuel	16,801.2	15,889.5[1]	5.7
Electricity	34,731.5	35,275.3	-1.5
Natural gas	44,297.7	44,263.4	0.1
Fuel oil	1,126.5	858.5	31.2
District heating	1,506.9	1,706.7	-11.7
Total	**98,463.7**	**97,993.4**	**0.5**

[1] The consumption of short-term car rentals is only included from 2016 onwards.

Greenhouse gas emissions

In 2016, the sites for which figures were reported emitted 29,910.1 tons of CO_2 (2015: 29,880.3 tons of CO_2). Direct emissions accounted for 46.0 percent and indirect emissions for 54.0 percent of total CO_2 emissions.

The direct emissions calculation includes emissions from production processes, testing, spraying, administration and the vehicle fleet as well as fossil fuels consumed on site. In all, 13,769.6 tons of CO_2 were emitted (2015: 13,447.3 tons of CO_2).

Indirect emissions include all emissions resulting from electricity and district heating that the Group purchased from external sources. These were calculated with an emissions factor for the power mix (Germany/Austria/USA) and for district heating. Total indirect emissions amounted to 16,140.6 tons of CO_2 (2015: 16,433.3 tons of CO_2).

CO_2 EMISSIONS
IN TONS

	2016	2015	Change as a %
Direct CO_2 emissions	13,769.6	13,447.3	2.4
Indirect CO_2 emissions	16,140.6	16,433.3	-1.8
Total	**29,910.1**	**29,880.3**	**0.1**

Waste handling

Conserving natural resources is a key aspect of responsible waste handling. Energy and environment management systems deployed in targeted areas are designed to reduce the amount of waste produced. In 2016, the total weight of waste produced increased by 4.5 percent compared to the previous year. This was primarily due to higher production output at the Reichertshofen site and damage caused to the heating system in Hörsching. The Wacker Neuson Group's target for the end of 2017 is to reduce the waste intensity[1] of all its locations certified to ISO 50001 and ISO 14001 by 3 percent.

WASTE GENERATION[1]
IN TONS

	2016	2015	Change as a %
Total waste	**11,285.9**	**10,803.7**	**4.5**
Non-hazardous waste	**9,457.3**	**9,213.5**	**2.6**
of which recycled/ sent for thermal recovery	8,600.7	8,668.8	-0.8
of which incinerated	0.2	0.0	0.0
of which sent to landfill	318.9	293.1	0.0
of which disposed of using other methods	537.5	251.6	113.6
Hazardous waste	**1,828.6**	**1,589.5**	**15.0**
of which recycled/ sent for thermal recovery	1,119.5	1,067.1	4.9
of which incinerated	33.4	33.6	-0.6
of which sent to landfill	168.2	128.2	31.2
of which disposed of using other methods	508.5	360.3	41.1

[1] Refers to the production sites, administrative locations and logistics centers in Germany, Austria and the US as well as sales offices in Germany and Austria.

Sustainable products and customer satisfaction

A number of ECO products have already been launched to positive feedback from customers. The Group will continue to make targeted efforts to expand these product developments, all of which focus on reducing environmental impact and maximizing energy efficiency (see "Research and development" section). The Group measures energy consumption, greenhouse gas emissions, water use, ease of maintenance and suitability for recycling across a product's entire lifecycle to give customers an idea of consumption levels and the associated costs. For a product to be part of the ECO range, it must also deliver demonstrably lower noise, dust and exhaust emissions values than competitor products.

Sustainable working conditions

The shortage of skilled workers and demographic trends mean that companies have to develop innovative strategies to attract and retain highly qualified staff. Measures here include increased training and tailored, lifelong learning programs, age-appropriate working conditions that safeguard employee health, and flexible work concepts. Professional and personal development is tailored to the needs of each individual. Health, performance and learning are top priorities in every initiative here.

[1] Definition of waste intensity: Tons of waste produced / non-consolidated revenue in € million.

The range of employee programs includes technical and business trainee schemes, seminars for the development of management skills, programs for international and interdisciplinary exchanges, qualifications to adapt and maintain skills, and transition assistance programs. In addition, the Wacker Neuson Academies offer a wide variety of courses for employees as well as customers and dealers. The Group also provides training centers in Germany, the US and China (for more details, see the "Human resources" section). → Page 93

Occupational health and safety

Preventing occupational illness is an important concern of the Wacker Neuson Group. Health management training and courses to improve work performance are organized at several locations. Employees can avail of fitness classes and back pain prevention courses, nutritious and varied meal options in the canteen as well as workshops on topics like stress management, prevention of burnout and psychological stress in the workplace. From 2017, occupational health management measures will be introduced at the Munich location.

An automated SAP solution was implemented Group-wide in 2016 to ensure compliance with statutory work regulations and make sure that employees strike a balance between work and leisure time. The system reminds employees not to exceed the maximum working time of 10 hours per day for the sake of their health.

Ensuring safety in the workplace is a top priority for the Wacker Neuson Group. Nevertheless, in 2016 there were 113 accidents at work or during work-related travel that resulted in a period of absence of longer than one day (2015: 127)[1]. The injury rate was 4.9 injuries per 200,000 hours worked (2015: 5.5). The Group is pleased to report that there were no work-related fatalities in 2016 (nor in 2015). At 4.8 percent, the sickness rate in 2016 was slightly lower than in the previous year (2015: 4.9 percent)[2].

Tenure and turnover

The average duration of employment is 8.6 years. The rate of employee turnover was 11.8 percent in 2016, up on the previous year (2015: 9.8 percent). This figure includes all departures (including resignations and retirements) proportional to the average total workforce[3].

Diversity

Equal opportunities in the workplace is an important objective of the Group's corporate policy. In 2016, male employees made up 83.0 percent of the Wacker Neuson Group's workforce. Female employees accounted for 17.0 percent, which is in line with industry norms in the mechanical engineering sector. Around 7.9 percent of female staff hold managerial positions, representing 11.2 percent of all management staff[3].

The Group remains convinced that mixed teams benefit the company culture in many different ways. The Executive Board has defined the following targets for the proportion of women appointed to managerial positions. These targets refer to staff who are directly employed by the company Wacker Neuson SE. The target percentage for the first management level below the Executive Board is 23 percent (currently 25 percent) and the target for the second management level below the Executive Board is 20 percent (currently 67 percent).

During the year under review, both the Executive Board and the Supervisory Board of Wacker Neuson SE were composed solely of men.

Appointment of local executives

The appointment of local executives is an important factor in light of the Group's international growth. In 2016, 84.8 percent of Group executives in strategic leadership positions were from the same country as their area of responsibility or the country where they were employed (2015: 85.5 percent)[4].

People with disabilities

The number of employees with disabilities is recorded to improve internal and external awareness surrounding the integration of disadvantaged groups. At 2.3 percent, the proportion of employees with serious disabilities in 2016 was slightly lower than in the previous year (2015: 2.5 percent)[5].

Preventing corruption and bribery

The Group has introduced a code of conduct for employees setting out the principles of company ethics and the conduct expected in the workplace. It has been published in eleven languages. Managers and employees around the world also receive training on compliance issues, which includes anti-corruption policies and procedures. In 2016, 210 employees underwent this training (2015: 546).

[1] The reporting boundary was extended to include temporary workers and the 2015 figures were adjusted accordingly.
[2] The figures refer to the German production sites and sales offices, the production site in Austria, the European logistics center and Group headquarters.
[3] The reporting boundary was extended to 100 percent of employees, the 2015 figures were not adjusted and refered to 83 percent of employees.
[4] Refers to higher-level managers with responsibility for HR decisions and disciplinary measures. The figure for 2015 has been adjusted accordingly.
[5] The figures refer to the German and Austrian production sites and sales offices, the European logistics center and Group headquarters.

A reporting system (Tell-it) has been made available and publicized on the corporate website. This line of communication gives employees and third parties (customers, suppliers, banks, etc.) the opportunity to provide information and report instances of non-compliance or irregularities. → www.bkms-system.net/wackerneuson

Respect for human rights
The Wacker Neuson Group has drawn up a code of conduct for suppliers containing provisions on human rights, occupational health and safety, child labor, forced labor and anti-corruption measures. Social, environmental and energy efficiency aspects were also added to the decision matrix for supplier audits and potential supplier certification. Where weaknesses are identified, a binding action plan to rectify them is a prerequisite for a (further) business relationship with our Group.

Supplier audit findings
In 2016, 89 of the Group's audited potential and existing suppliers in Europe, North and South America and Asia-Pacific were screened using environmental and labor practices criteria. This screening did not find any cases of child labor, young workers exposed to hazardous working conditions or forced or compulsory labor. Particular attention was paid to suppliers from the Asia-Pacific region in this regard.

Donations and social engagement
Donations are defined as voluntary contributions to external organizations and social institutions where nothing is asked for or expected in return. Financial and material donations are focused on social and humanitarian causes, especially healthcare and education for children, young people and disadvantaged groups. In 2016, the total worldwide donations budget for the Group was EUR 83,500 (2015: EUR 78,300). Beneficiaries included the DKMS (German Bone Marrow Donation Center), the SOS Children's Villages Association and many other small regional organizations and projects.

Employees are also encouraged to get involved in social and community projects (corporate volunteering). The company responds quickly and unbureaucratically to emergencies and disasters. Targeted sponsorship is another form of social engagement for our company.

Sustainability round table at bauma 2016 – the world's largest construction trade show
Under the patronage of the German Engineering Federation (VDMA), the Wacker Neuson Group held a sustainability round table at bauma – the world's largest construction trade show in Munich. The invited guests were drawn from prominent associations and other companies from the construction equipment industry. The event provided an opportunity to discuss the relationship between sustainability and industry, the relevant legislation and best practice examples. The participants agreed that they would collaborate again in the future.

Procurement and quality

- Procurement organization reduces material costs
- Sustainable supplier management
- Natural hedging reduces currency risks

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

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

Globalization is still the predominant trend in procurement. This is closely linked to the huge improvement in quality of bought-in parts sourced from countries beyond Central Europe and North America. Choosing the right procurement markets is thus becoming an increasingly important success factor in securing the Wacker Neuson Group's competitive position. The best suppliers are systematically included in the global supply network.

Organization of global procurement structure

Since 2013, Group procurement at Wacker Neuson has been organized under uniform management in a matrix across all production locations and global commodity groups. This guarantees that the best suppliers are selected from the global network and helps to further consolidate purchasing volumes. The supplier management department conducts supplier audits and asks suppliers to rectify any discrepancies that may be found. The buyers and supplier qualifiers have both regional and Group-wide global responsibility for specific groups of goods. When it comes to selecting new suppliers, this ensures compliance with Wacker Neuson quality standards along with competitive purchase prices.

A new value engineering department has been added to the procurement organization. Its main tasks include value analysis projects (parallel to the product development process), best practice calculations (to monitor cost targets during the product development phase and check component prices) and cost optimization (in supplier production processes). The greatest potential arises early on, when costs are calculated parallel to the development phase to ensure that the target costs are in line with the market.

Reducing the number of suppliers increases the purchasing volume per supplier. The Wacker Neuson Group carries out risk analyses to mitigate the associated quality and supply risks. The Group's future supplier structure will be based around commodity strategies with account duly taken of the current supplier situation, global trends and the best-cost countries in each case. Long-term contracts will be concluded with the selected strategic suppliers and efficiency projects will be established to further reduce material prices.

The focus in 2016 remained on the consolidation of purchasing volumes, the reduction of supplier numbers based on strategic decisions and the reduction of prices for parts and services.

Sustainable supplier management

The Group has further optimized production processes in recent years by maintaining close ties with key suppliers and incorporating them into production planning processes at an early stage. While developing its global supply chains, however, it identified potential areas for improvement, which it is addressing through qualification and by selectively expanding its supplier audits.

Dedicated employees accompany and help suppliers evolve along the entire pathway from initial nomination through to series production. The focus here is very much on prevention, ensuring that supplier mistakes do not occur in the first place. As a result, only suppliers who meet the requisite quality, time and cost requirements will be considered for future projects. There will also be increased focus on sustainability in the supply chain.

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

An escalation model has been introduced to achieve sustainable zero-defects performance in the Group's supplier base. Suppliers who deliver defective parts on more than one occasion are "escalated" in a multi-step model. If no improvement becomes apparent despite the escalation and intensive on-site assistance, these suppliers will not be considered for future projects or else will be disqualified.

Reacting to price fluctuations in procurement markets

Raw material prices dropped further in 2016, reaching multi-year lows in some cases. In particular, the cost of steel and plastic components fell significantly. Later in the year, however, the prices of raw materials, in particular steel, started to rise. The purchasing organization controlled the risk to some extent through long-term contracts and a further consolidation of suppliers as well as measures to improve supplier efficiency. Nevertheless, rising raw materials prices are sure to affect material costs in 2017.

On the currency markets, fluctuations in the exchange rate of the euro made goods from Japan and the US dollar zone in particular more expensive. The Wacker Neuson Group relies on natural hedging to reduce some currency risks. In some cases, the negative effects of currency fluctuations were absorbed through price negotiations.

Human resources

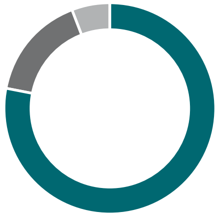
- Selective new hires
- Focus on development of management skills

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

Selective new hires
The Group increased headcount in specific areas in all regions as a result of its strong growth.

At December 31, 2016, the Group employed a total of 4,792 employees (2015: 4,632). This figure is calculated by converting the number of people employed into full-time equivalents. It does not include temporary staff.

HEADCOUNT BY REGION
AS A %

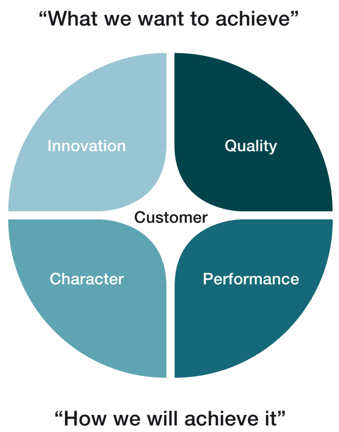


78.3	Europe (78.2)
15.9	Americas (15.5)
5.8	Asia-Pacific (6.3)

3,753 (78 percent) of all employees were based in Europe at the balance sheet date (2015: 3,622). 763 were employed in the Americas region (2015: 719), with 276 in the Asia-Pacific region (2015: 291).

Personnel costs amounted to EUR 303.8 million (2015: EUR 288.8 million).

FIG. 8 The Wacker Neuson Group's value wheel



The customer is at the heart of the value wheel. Innovation and quality are an integral part of the corporate identity. Customers experience these values directly through products and services. Looking within company walls, performance and character are defining values for both employees and the organization as a whole. These values help make up the DNA of employees and management teams. They steer success and shape the way business is done both within and beyond the company.

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

2016	2015	2014	2013	2012	2011	2010	2009
4,792	4,632	4,372	4,157	4,096[2]	3,514	3,142	3,059

[1] Number of full-time jobs (FTE).
[2] Newly consolidated employees as of December 31, 2012: 245.

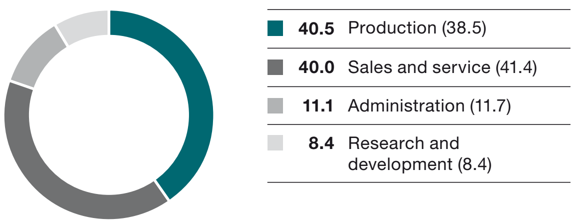
Additional programs for skills management and lifelong learning

Skills management

Qualified professional training gives young people a good start to their working lives. In 2016, the Group provided training for 206 (2015: 197) young people in industrial, technical or business posts at the production sites and the German sales offices. The Group also provided opportunities within the framework of practical training programs flanked by studies at technical or vocational colleges. The Group's training philosophy centers on providing experience in a wide range of disciplines and areas of the company, assigning a high degree of personal responsibility and ensuring intensive, one-to-one trainee support via qualified contact partners. The student training quota over the last fiscal year was 4.2 percent (based on 100 percent of employees). The figure for 2015 was 5.1 percent, which for system-related reasons was only based on 83 percent of all employees. In 2016, 54 trainees completed their training (2015: 48), with 50 of these offered positions in the Group (2015: 47). This corresponds to a take-up rate of 96.3 percent (2015: 97.9 percent). Among other things, the early completion of their training by five trainees at the Munich and Reichertshofen locations and the award-winning achievements of one trainee in Pfullendorf testify to the high quality of training available within the Group.

EMPLOYEES BY SECTOR

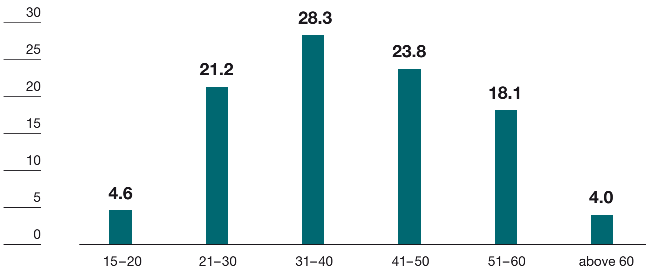
AS A %



The choice of training opportunities was also expanded in 2016. Weidemann GmbH, for instance, offered an "International Business binational" BA degree at the DHBW university in Mannheim for the first time, organized workshops with students on the theme of "get out of uni and into the workplace", and took part in the local "Nightwork" careers event along with many other local employers in Korbach (Hesse). By initiating these measures and attending several careers events and trade shows, the Wacker Neuson Group was able to attract a larger number of young people to take part in work experience placements, traineeships and student research projects, giving them their first interesting insights into the world of work.

AGE STRUCTURE[1]

NUMBER OF EMPLOYEES AS A %



[1] Based on 100 percent of all employees (2015: 83 percent).

Lifelong learning

The Wacker Neuson Group has always placed great importance on ongoing employee development and continues to do so. In 2016, internal and Group-wide training and lifelong learning measures focused on developing comprehensive programs for specialist departments alongside specialized training in areas like lean management (for more information, see section on Sustainability).

Lean management and Kaizen training

Following the successful roll-out of the internal lean management system ZERO in 2015, the focus shifted to new priorities in 2016 – such as the setting up of the Kaizen structured problem solving methodology. Also in 2016, harmonized shop floor boards and processes were introduced at all production sites as a way to standardize and optimize day-to-day operations. As well as occupational health and safety, the topics placed on the daily agenda include human resources management, on-time delivery, productivity, quality and problem solving. All of the methodologies introduced in 2016 will be continued and further optimized in 2017.

INTRAMove

The INTRAMove exchange program was established to further improve the internal flow of communication within the Group. The aim for the Group is to foster global networking and improve knowledge transfer. From 2015 on, employees from a wide range of departments have had the opportunity to take part in this program and experience working at different locations in Switzerland, the UK, the US and China.

PerspACTIVE young manager program

The PerspACTIVE program has also been up and running for a number of years. It has become an invaluable tool for developing specialist management skills in all departments of the Group. Following the success of the 2015 program, a new group of employees took part in 2016. The fact that the participants are drawn from different disciplines and locations helps to foster a common management culture.

Leadership excellence program (LEP)

The participants who started the LEP in 2015 continued to work intensively through further modules in 2016. These training aids for senior management were developed in cooperation with the Technical University of Munich's TUM School of Management. The LEP comprises four modules in all, the first of which dealt with the topic of “Organization in Change”. This gave participants the opportunity to upskill in the increasingly important area of change management. In 2016, the 40 participants moved on to the second module “Result & Business Orientation”, which focused on how to optimize the strategic and financial management of companies and relate this to customer requirements. Later on in the program, the participants will complete the modules “Innovation & Knowledge Management” and “Strategy & Leadership”.

“Train and Grow – T.A.G.” trainee program

The Group-wide T.A.G. (train and grow) trainee program was introduced in 2015 as a cornerstone of the Group's talent recruitment system. It has been steadily gaining in popularity, with 15 trainees having completed the program to date. The program is aimed at Master's graduates from technical and business administration disciplines and takes a maximum of 24 months to complete. The length of the participants' placements in individual departments varies between two and four months, with at least one placement completed in a foreign affiliate. The variety of experience gained in the different departments allows the program participants to get to know the Group in a short space of time and from different perspectives. Like the INTRAMove, PerspACTIVE and LEP employee programs, the T.A.G. program facilitates networking across the Group.

The staff development cost figure for fiscal 2016 was EUR 1.7 million (2015: EUR 1.8 million).

Health management

After evaluating the findings from a survey on psychological stress in the workplace in 2014, measures to improve health management were introduced in 2015 and 2016. These included health awareness days, back pain prevention courses and ongoing workshops on topics like healthy management and combatting stress. Nutritional eating campaigns and workshops involving trainees on the topic of “healthy eating” were also organized. In order to keep health management at the top of the agenda throughout the Group, health committees were set up to deliver tailored measures for target groups in cooperation with external service providers. The cross-location cooperation between the committees proved particularly successful in 2016, and this is set to be stepped up in 2017.

HUMAN RESOURCES FIGURES[1]

	Dec. 31, 2016	Dec. 31, 2015
Part-time employees as a %[1]	5.2%	4.2%
Number of trainees[1]	206	197
Quota of trainees as a %[1]	4.2%	5.1%
Expenses for personnel development in € m[2]	1.7	1.8
Average age in years[1]	39.7	39.5
Number of men (proportion as a %)[1]	4,148 (83.0%)	3,218 (83.3%)
Number of women (proportion as a %)[1]	848 (17.0%)	646 (16.7%)
Number of years with the company[1]	8.6	9.5
Fluctuation as a %[1]	11.8%	9.8%
Sickness rate as a %[3]	4.8%	3.4%

[1] Based on 100 percent (4,792) of all employees (2015: 83 percent).
[2] Based on all employees in 2015 and 2016.
[3] Based on 58 percent of all employees (Germany and Austria only) (2015: 83 percent).

Voluntary benefits

The Group again offered employees in Germany numerous voluntary benefits in 2016, including an employer-funded company pension plan, healthcare schemes and a bonus plan for employees who work at the company for a certain number of years.

Sales, customers and marketing

- Successful marketing via existing and new sales channels
- Strong resonance at industry trade fairs

One of the most important synergies resulting from the merger of Wacker Construction Equipment AG and Neuson Kramer Baumaschinen AG in 2007 is the ability to market the entire product portfolio through existing and new distribution channels. In 2016, this again resulted in a significant rise in demand, in particular for compact equipment.

Strong resonance at industry trade fairs

The world's largest construction fair – bauma – took place in April 2016. This leading gathering of experts in construction equipment and vehicles and mining equipment again drew a record attendance in 2016 – with 3,423 exhibitors from 58 countries and over 580,000 visitors from 200 nationalities – confirming its status as the world's largest trade show for its industry.

The Wacker Neuson Group presented an interesting assortment of products, services and solutions at bauma 2016. The Wacker Neuson and Kramer brands shared an exhibition space measuring over 5,300 m². The focus was on innovative solutions to meet and even exceed rising customer expectations regarding efficiency, performance, environmental protection and operator safety. Interactive demos and try-out zones rounded out the exhibit, bringing the products closer to visitors. The Kramer 5055e electric wheel loader received the innovation prize at bauma – beating off competition from hundreds of different products. This proved one of the highlights of the event, but Wacker Neuson also got a very good reception for its zero-emissions line.

In February, Wacker Neuson attended World of Concrete in Las Vegas, USA. Customers were able to see live demos of the complete portfolio of soil compaction and surface finishing solutions. The by-now-established trowel challenge again drew large numbers of interested spectators to the Wacker Neuson stand.

In May, Wacker Neuson attended the IFAT trade fair in Munich and the Hillhead exhibition in Buxton, UK. Wacker Neuson was represented at IFAT – the world's leading trade fair for water, sewage, waste and raw materials management – with the VDBUM association. The equipment on show was a telescopic handler with ideal specs for the demanding applications of municipal bodies, industrial firms and recycling operators. Wacker Neuson was a return visitor to the open-air Hillhead show in Derbyshire, UK, which is known for its interesting live demonstrations.

In June, Wacker Neuson presented its zero-emissions line at the Svenska Maskinmässan trade show in Stockholm, Sweden. The Scandinavian market is at the forefront of rising demand for zero-emissions solutions. Visitors to Wacker Neuson's stand were visibly impressed by the equipment on show.

The GaLaBau fair was held in Nuremberg in September. The focus for Wacker Neuson at this gardening and landscaping show was again on the zero-emissions products. Under the theme of "Zero emissions, full performance", visitors to the Wacker Neuson Group stand were able to see live demos of all the zero-emissions products from the Wacker Neuson and Kramer brands. Visitors came away with plenty of food for thought on how gardening and landscaping companies could implement the zero-emissions range to make their work processes kinder to the environment and safer for operators.

In South America, Wacker Neuson took part in the Excon trade fair in Lima, Peru, in October. This event also proved successful, with a number of preliminary negotiations conducted and new dealers acquired.

The Weidemann and Kramer brands presented their products at numerous agricultural trade shows in Europe. The highlight in 2016 was "EuroTier" in Hanover, the world's leading trade fair for modern animal production, which attracted 163,000 visitors in November.

The two Group brands presented their agricultural loaders on a joint stand. The focus here too was placed on the zero-emissions machines from Weidemann (eHoftrac®) and Kramer (electric loader).

November also saw Wacker Neuson attend bauma China in Shanghai. The trade fair has become the leading platform for construction equipment and vehicles in China. The 2016 event drew over 170,000 visitors from 149 countries. Wacker Neuson took the opportunity to present its comprehensive portfolio of products and services. The spotlight was on excavators, but the event also saw the unveiling of a zero-emissions first in the AS50e battery-powered rammer. The technology impressed both customers and dealers, who agreed that there would be particularly strong demand in China for zero-emissions equipment.

At the BAUMA CONEXPO trade fair in India, which was held in Mumbai in December, the focus was on the locally favored Wacker Neuson solutions in the area of concrete technology and the EZ17 zero-tail mini excavator. The successful event further raised awareness of the Wacker Neuson brand.

Expansion of global sales network

The Wacker Neuson Group's corporate culture enables the Group to create a decentralized organization that reacts with greater speed and less bureaucracy to the needs of sales partners and customers. Sales structures are aligned with local market dynamics and different brands and channels are used to market Group products, spare parts and services, for example direct sales channels, dealer networks, importers or retail chains. In most markets, the Wacker Neuson Group works with independent dealers, and in some cases local sales affiliates support and advise major customers and dealers in these countries. In 2016, new dealers were brought on board and existing structures consolidated in China, Vietnam, Indonesia, the Philippines, Thailand, Myanmar, India, Sri Lanka and Malaysia. In Australia, the sales network for light equipment was expanded to ensure wider availability in the coastal regions. In Africa, sales structures were mainly expanded in the export territory, primarily in the sub-Saharan countries.

Sales channels

The Wacker Neuson Group uses both direct sales channels with its own sales and service stations (Central Europe) and dealers and rental firms (worldwide) to distribute its products. Products manufactured by the Group are also distributed throughout the world by the OEM partners Caterpillar and CLAAS.

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

Diverse customer base

Diversification is becoming an increasingly important part of sales with a view to spreading economic risks and achieving further growth. The Group's customer base in 2016 again included construction companies (public and private enterprises), gardening and landscaping firms, rental firms, the agricultural sector, municipal bodies, the energy sector, the mining sector and industrial companies. The Group is not dependent on individual customers to any significant degree.

Individualized solutions and customer-centric strategy

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

Risk report

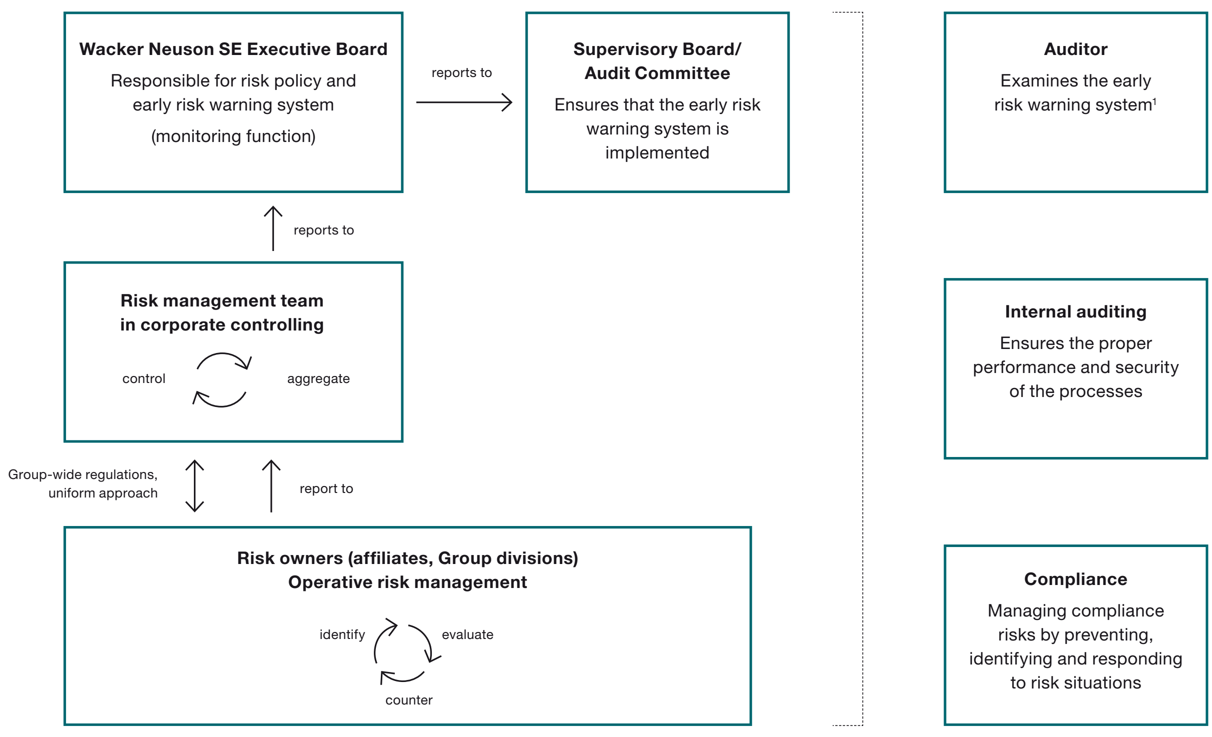
As Wacker Neuson SE is largely affiliated with the companies of the Wacker Neuson Group through its direct and indirect shareholdings in Wacker Neuson Group members, the risk situation facing Wacker Neuson SE is mainly determined by the risk situation facing the Wacker Neuson Group. The statements on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

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

Risk reporting requires that the company outline its risk management goals and methods in the Management Report. Furthermore, the key steps involved in the internal control system and the risk management system in relation to the (consolidated) accounting process must be described in detail pursuant to Section 315 (2) No. 5 and Section 289 (5) of the HGB. Since the internal control system is an integral part of the overall risk management system, the Executive Board has decided to present both together. These disclosures are also explained in more detail, including in relation to the accounting process.

Directive 2014/95/EU governs the disclosure of non-financial and diversity information. Within the framework of this legislation, companies are obliged to report on environmental, social and employee-related issues and provide information on the observance of human rights, diversity in supervisory, management and control committees as well as corruption and bribery. All such possible risks which are of material significance for the Wacker Neuson Group, its business partners and relevant third parties are disclosed in the following risk report.

FIG. 9 Control and risk management



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

Risk management system

The Group-wide risk management system serves as an early-warning safety net that identifies, assesses and appropriately communicates risks and enables the Group to implement corresponding counteractive measures in good time. This calls for the reliable identification, evaluation and monitoring of all risks that may prevent this goal from being achieved. In fiscal 2016, the Wacker Neuson Group continued to implement its risk management system as a key steering tool for business decisions and processes. This system covers planning for each of the core business segments and comprehensive Group reports on all affiliates (which are regularly analyzed, discussed, evaluated and submitted to all decision-makers). The risk management system also covers process definitions for all business segments, Group auditing and compliance. →FIG. 9/page 98

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

RISK CATEGORIZATION

RISK CLASS

	Risk exposure[1]
To be monitored	€ 50,000 to 125,000
Major	€ 125,000 and above

[1] Risk exposure = (probability in percent) x impact.
Risk classes used when identified at individual company level.

The risk reporting system lists and describes each individual risk identified in the Group's business segments. The situation is examined every quarter and newly identified risks added if necessary. To this end, the corporate controlling department of Wacker Neuson SE consults the departments at Group headquarters and at the affiliates. Following completeness and plausibility checks, the data gathered is aggregated and made available to management, for example the Executive Board and the Supervisory Board.

The Group's comprehensive risk management system includes systematic financial risk management. Group guidelines and policies have been defined for certain activities such as dealing with foreign currency risks, interest rate risks and credit risks, the use of derivative and other financial instruments and the use of liquidity surpluses. The risks are then assessed using both quantitative and qualitative methods that are uniform throughout the Group, allowing comparison across the various business segments. Please refer to the Notes to the Consolidated Financial Statements for further information on the risk management system (item 29). → Page 163

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

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

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

- The entities responsible for accounting are clearly defined at the level of Wacker Neuson SE and its affiliates. Responsibility has been vested in the corporate accounting, corporate controlling, auditing and treasury departments. Ultimate responsibility lies with the Executive Board. Within accounting, there is a clear differentiation between booking and auditing financial data.
- Employees involved in accounting are qualified to the highest standards.
- The Group has suitable systems and processes in place for planning, reporting, controlling and risk management, and implements these across the Group. Reports due on a quarterly or monthly basis, financial accounting reports included, enable the Group to respond quickly to unexpected negative developments.

- The Group-wide procedural guidelines set down in the accounting manual and treasury manual are accessible at all times to all Group employees. Other regulations such as the rating guide and list of processes subject to second sign-off also apply. These guidelines guarantee uniform handling of similar scenarios throughout the entire Group. They are updated as required and aligned with new circumstances and requirements.
- Proven standard software supports accounting functions, and all systems deployed are secured against unauthorized access by third parties.
- Effective controls (including second sign-off and analytical checks) are in place for accounting-related processes (payment runs, for example).
- Accounting processes are regularly checked by internal auditing.
- Various internal bodies, such as the auditing department or the Audit Committee of the Supervisory Board, regularly review and rate the effectiveness of the internal control and risk management systems in relation to accounting processes.
- The audit performed by the auditor serves to examine whether the system identifies, evaluates, communicates and regularly controls risks (system audit according to standard IDW PS 340.19 of the Institute of Public Auditors in Germany). According to IDW PS 340.6, concrete implementation measures to overcome and manage risks are not relevant for the early risk warning system pursuant to Section 91 (2) HGB and thus not relevant for the audit performed by the auditors pursuant to Section 317 (4) HGB.

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

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

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

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

Risks

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

Information is provided on risk probability and risk exposure to evaluate the risks posed.

RISK PROBABILITY

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

RISK EXPOSURE

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

Individual risks with a risk exposure of > 5 percent of Group EBIT (Group EBIT 2016: EUR 88.1 million) are considered the largest individual risks at Group level:

GREATEST INDIVIDUAL RISKS AT DECEMBER 31, 2016

RISK CLASS

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

According to the company's calculations, there are no individual risks with a risk exposure in excess of 20 percent of Group EBIT.

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

RISKS ACCORDING TO CATEGORY

	Risk probability	Risk exposure	Change compared to previous year
Financial risks			
Loss of receivables	Medium	High	↗
Loss of bank balances	Medium	High	↗
Currency devaluation	High	Very high	↗
Economic performance risks			
Product-related risks	High	High	↗
Delivery delays (supplier or production)	High	High	↗
Price increases in supplied parts or raw materials	High	Medium	↘
Stricter technical regulations and standards	High	Medium	↘
Legal risks			
Process risks	High	High	↗
Other risks	High	Medium	→
Loss of knowledge/fluctuation	High	Medium	↘
Environment or industry risks			
Economic risks	High	Medium	↘
Increased competitive situation	High	High	↘
Drop in demand for construction equipment	High	Very high	↘

↗ Worse → Unchanged ↘ Better
For reasons of materiality, this table does not include individual risks with low risk exposure.

Environment and industry risks (risks related to the overall economic situation, the industry, locations and countries as well as risks related to expansion into new markets, the launch of new products, acquisitions and the integration of new companies, and investment risks)
At around 31 percent, environment and industry risks account for a sizeable share of overall risks (2015: 51 percent). Risk exposure in this category has decreased compared to the previous year. This is attributed to a more positive business outlook for North and South America and in Asia. A modest recovery in investment by the oil and gas industry is expected due to the price of oil rising again after hitting a low at the start of 2016. The Wacker Neuson Group can also pick up business from the infrastructure projects that have been announced in North America.

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

While the European economy looks reasonably healthy at present, the repercussions of the UK's exit from the European Union and the risk of a new debt crisis in Greece are difficult to predict.

In the US, the plans of recently elected President Donald Trump to invest up to one trillion dollars in modernizing and expanding the country's transport, power and telecommunication networks in the next ten years are good news for the company. On the downside, however, any protectionist stance adopted by the US in relation to imports from the European Union, and from German companies in particular, could make the company's compact equipment more expensive. As a whole, the company is well positioned with the manufacturing set-up of its skid steer loaders and light equipment in Milwaukee, USA.

Although forecasts for the construction industry in 2017 and 2018 for the core markets of Europe and the US are positive, there is still a risk that some markets could be affected by an economic downturn.

In the agricultural sector, unfavorable prices for food (in particular milk), feed and fertilizer in 2016 as well as a highly saturated market resulted in significantly lower demand for agricultural machinery compared to the previous year. There is a risk that this drop in demand could continue in 2017.

Falling demand in the construction and agricultural industries could impact revenue and profit levels at the Wacker Neuson Group. The Group is countering these risks by diversifying its products and services across industries and regions. Its commitment to increasing its presence in established markets, expanding into targeted new markets and launching new products should offset any fluctuations in demand at country and industry level. The Group regularly monitors key leading indicators in order to implement appropriate countermeasures in good time.

The Wacker Neuson Group is active in cyclical and volatile markets. In addition, demand is subject to seasonal fluctuations, which can have an impact on revenue trends during the year. As a result, the Group uses flexible work and production models in its organization to absorb any fluctuations in capacity utilization.

Unfavorable market dynamics in core markets could have a disproportionately high impact on Group earnings.

The Wacker Neuson Group faces tough international competition. The Group is countering the risk of losing market share as a result of this by striving for technological leadership and offering customers attractive financing solutions through third parties and further strengthening its spare parts and service offerings (total cost of ownership approach).

The Group has also identified a risk resulting from variations in customer structure from one country to another. Within an individual country, the loss of a major customer (due to insolvency or market consolidation, for instance) could have a serious impact on demand for products and services from the affiliate concerned. The Group is countering this risk by proactively maintaining strong customer relationships, making new acquisitions and diversifying its customer base.

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

The strategic alliance with Caterpillar (Peoria, USA) for mini excavators will end on May 31, 2018, although certain models will continue to be delivered to Caterpillar up until the end of 2019. The partnership with the Claas Group (Harsewinkel, Germany) in the area of large agricultural telescopic handlers will come to an end by the close of 2017. The Group will counter this risk by becoming more proactive in the corresponding markets itself and by agreeing strategic alliances with other companies such as Hamm AG, a member of the Wirtgen Group. Revenue and profit losses could be expected if these measures prove insufficient.

Demand on the international market is becoming increasingly concentrated, partly due to mergers and acquisitions among the Group's customer base. There is also the possibility of customers being taken over by financial investors. These types of developments can have a positive or negative impact on Wacker Neuson Group sales and revenue, neither of which can be accurately predicted at this stage.

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

Financial risks account for 40 percent of overall risk to the Group. This is an increase on the previous year's figure of 26 percent. The Group's planning processes are based on forecasts made by currency experts. Deviations do occur, however, and so the Group regularly adapts its plans to reflect these changes.

The increase in financial risk relative to the previous year primarily stems from the ongoing risk of currencies in some emerging markets falling sharply against the Group's production currencies (euro/US dollar). This devaluation is significantly diminishing the value of revenue and profit from these countries when they are translated into the Group's consolidated financial statements, which are drawn up in euro. The increasing strength of the US dollar, in particular against the currencies of South America, Canada and the eurozone, negatively impacts the export value of products manufactured in the USA. In some cases, the Group is countering the prospect of unfavorable currency developments by agreeing production currency prices with customers on conclusion of a business deal. Its international production sites also allow the Group to counter currency effects to a certain extent (natural hedging).

Liabilities in foreign currencies have also increased relative to the previous year. If the exchange rates related to these liabilities develop unfavorably for the company, this could have a negative impact on the value of liabilities (expressed in euros). The Group is monitoring this risk closely within the framework of its treasury management activities and, where necessary, is implementing appropriate countermeasures to hedge against these foreign currency items.

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

Please refer to the Notes to the Consolidated Financial Statements for further information on financial risks (items 22 and 29). → Pages 155 and 163

Performance-related risks (risks associated with procurement, production and R&D)
At around 19 percent, performance-related risks account for the third largest share of overall risks (2015: 15 percent).

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

Loss of a supplier (due to insolvency, for instance) could also impact the Group's ability to deliver and therefore threaten individual sales targets. The Wacker Neuson Group is minimizing these risks by defining commodity strategies to ensure that the loss of a supplier will only affect individual commodities and not an entire production facility. It is also developing close relationships with suppliers and concluding special standard agreements that secure its partners' delivery capabilities to a certain extent.

Increases in the prices of raw materials, in particular for steel but also for other components, caused by a rise in demand, speculation on the raw materials markets and exchange rate fluctuations could push up manufacturing costs for the Wacker Neuson Group. The Group is countering this risk by developing a more flexible global procurement strategy and concluding longer-term contracts in some cases. The Group is maintaining regular contact with business partners and suppliers to jointly develop forward-looking solutions.

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

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

Legal risks (risks related to pending legal proceedings, patent and trademark law and tax law)
If the Group were no longer able to protect its intellectual property sufficiently, this would impair its competitive ability. The Group is reducing this risk through focused patent and intellectual property management. Market-leading products are increasingly being copied by manufacturers in emerging markets, and this could reduce sales. The Wacker Neuson Group is minimizing this risk by systematically enforcing its intellectual property rights, while also expanding its international sales and service network. The Group averts the risk of disputes with third parties over intellectual property rights through extensive prior investigations and research.

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

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

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

Other risks (risks in the areas of HR, strategy, processes, IT and environment)

The success of the Wacker Neuson Group is due in large part to the skill and motivation of its employees. The loss of highly qualified people in key positions could impact negatively on the Group's growth plan. The Group is countering this risk by offering employees incentives to commit themselves to the company, for example attractive remuneration, long-term personal development opportunities and active internal successor management. In order to pursue its ambitious expansion strategy, the Group needs to hire qualified staff, in particular mechanical and electrical engineers. However, as the labor market stands, it may not be possible for the Group to meet or fully meet its need for staff in these areas. The Group is countering this risk with dedicated recruitment efforts, both in Germany and abroad. It also offers attractive remuneration schemes and interesting work opportunities promising a high degree of personal responsibility.

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

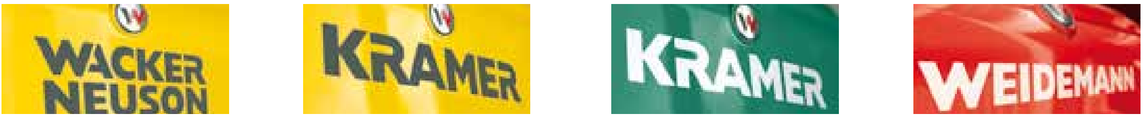
There is also a risk that increasingly strict environmental legislation could entail additional costs at the production facilities or fines as a result of non-compliance. The Wacker Neuson Group is countering this risk by constantly monitoring the legal regulations and ensuring full compliance. It also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

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

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

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

FIG. 10 Long-term trends create growth opportunities



- Infrastructural needs in emerging markets
- Expansion and modernization of road and rail networks worldwide
- Trend towards productivity-enhancing compact equipment for transporting material in the industrial sector
- Consequences of climate change and greater emphasis on environmental protection

- Increasing global demand for food and fodder due to population growth
- Structural shift towards fewer, larger holdings with greater demand for mechanization
- Increasing industrialization/automation of agricultural operations, even in emerging economies

Summary of risk situation facing the Group (assessment of risk situation by management)

Viewed as a percentage of overall risks, the main risks lie in the financial, environment and industry and performance-related categories. Together, these three categories represent around 90 percent of total risk (2015: 90 percent).

DISTRIBUTION OF RISK ACCORDING TO CATEGORY
AS A %

	Percentage share of total risk
Environment and industry risks	31.4
Financial risks	39.6
Performance-related risks	19.1
Other risks	8.3
Legal risks	1.6

Based on the Group's assessment of the risk situation facing it, the overall risk faced was 5 percent lower than in the previous year. The main reason for this decrease is the lower exposure to environment and industry risks, which in turn was due in large to the improvement in the environment and industry risk situation is mainly due to a more positive business outlook in North and South America and continued stabilization of the construction and agricultural industries in Europe in 2017. This was offset by an increase in financial risks – in particular the risk of the currencies in some emerging markets falling against the Group's production currencies (euro/US dollar). The main risks are listed in this risk report.

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

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

Opportunity management system

Opportunities relate to internal and external developments that could have a positive impact on the Group. The direct responsibility for identifying and managing opportunities in a timely manner is vested in committees rather than specific individuals. These committees also make decisions on innovation projects initiated by the Group in response to changing market and customer requirements. The committees include experts and high-ranking decision-makers from across the Group, including members of the Executive Board, affiliate managers and the heads of the central functions. The Wacker Neuson Group's decision-making process focuses on opportunities while at the same time taking the associated risks into account. Selected potential opportunities for the Wacker Neuson Group are outlined in the overview → FIG. 10 and described in more detail in the section "Opportunities for future development". → Page 114

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

According to Section 315 (4) of the HGB, listed companies must disclose information on the composition of capital, shareholders' rights and restrictions, participating interests and corporate bodies that may be relevant for takeovers in the Group Management Report. The same information must also be disclosed in the Management Report, pursuant to Section 289 (4) of the HGB. Furthermore, according to Section 176 (1) Sentence 1 of the AktG, the Executive Board must submit a report containing this information to the AGM. The following contains a summary of the information pursuant to Section 315 (4) and Section 289 (4) HGB as well as the corresponding explanatory comments pursuant to Section 176 (1) Sentence 1 AktG.

Composition of subscribed capital

At December 31, 2016, the company's share capital amounted to EUR 70,140,000.00, divided into 70,140,000 individual no-par-value nominal shares, each representing a proportionate amount of the share capital of EUR 1.00 according to Section 3 (2) of the Articles of Incorporation of Wacker Neuson SE. There is only one type of share; all shares are vested with the same rights and obligations as outlined in detail in particular under Sections 12, 53a, 188 ff. and 186 of the AktG. The provisions of AktG apply to Wacker Neuson SE in accordance with Section 9 (1) c) ii) and Section 10 of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European company (SE) (SE Regulation), unless otherwise specified in the SE Regulation.

Restrictions affecting voting rights or the transfer of shares

Information on the pool agreement

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

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

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

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

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

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

Pool agreement between Mr. Martin Lehner and Neunteufel shareholders

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

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

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

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

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

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

The voting rights held by the above-mentioned shareholders correspond to around 63.1 percent of share capital. The shareholders are bound to exercise these voting rights under the terms of a pool agreement (see "Restrictions affecting voting rights or the transfer of shares"). →Page 106 The above information is based on notifications pursuant to Section 21 ff. of the WpHG that Wacker Neuson SE has received and published since 2007, which was the year the company went public. The disclosures are explained in detail in the Notes to the Annual Financial Statements of Wacker Neuson SE under the section "Notifications and disclosures of changes to voting interests pursuant to Section 21 ff. WpHG". The Executive Board is not aware of any other direct or indirect participations in the company's share capital that exceed 10 percent of voting rights.

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

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

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

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

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

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

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

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

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

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

Treasury shares

By a resolution passed at the AGM on May 22, 2012, the Executive Board is authorized, subject to the prior approval of the Supervisory Board, to acquire 7,014,000 treasury shares via the stock exchange by May 21, 2017. This acquisition may also be performed by one of the Group members on or for its or their account by third parties. In so doing, the shares acquired as a result of this authorization together with other shares in the company that it has already acquired and still holds may not at any time total more than 10 percent of the existing share capital. Shares must not be purchased for the purpose of trading company shares on the stock exchange.

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

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

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

Authorized Capital 2012

According to Article 3 (3) of the Articles of Incorporation, the Executive Board is authorized to increase the company's share capital by May 21, 2017, with the approval of the Supervisory Board, by issuing new, registered shares against cash contributions, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000 (Authorized Capital 2012).

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

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

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

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

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

The Schuldschein loan agreements with terms between five and seven years placed by Wacker Neuson SE in February 2012 – the first of which was repaid in February 2017, when a new Schuldschein loan was taken up under similar terms – give the respective creditors termination options if third parties acquire at least 50 percent of voting rights in the company.

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

There is no such agreement.

Concluding remark

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

Declaration on corporate governance according to Section 289a HGB

On March 14, 2017, the Executive Board of Wacker Neuson SE issued a corporate governance declaration pursuant to Section 289a of the German Commercial Code (HGB). This can be downloaded from the Wacker Neuson SE website at: → http://wackerneusongroup.com/en/investor-relations/corporate-governance/declaration-about-corporate-governance/

Remuneration framework

Information on the Executive Board

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

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

The Executive Board's remuneration comprises:

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

The individual remuneration components are as follows:

- The annual fixed salary is paid in equal monthly installments.
- The variable salary is based on average consolidated earnings after taxes for the previous three fiscal years, as reported in the approved Consolidated Financial Statements for the respective fiscal years, as well as on the return on capital employed as reported in the Consolidated Financial Statements. The Group's performance is another indicator for determining variable salary, measured by a combination of the extent to which revenue goals are achieved and the size of the EBIT margin. The variable salary based on this indicator is paid out only in part on approval of the Consolidated Financial Statements for the fiscal year in question. The remaining part (longer-term perspective) is paid out only if the performance indicators in the two subsequent years lie above a defined threshold. An upper threshold for the overall variable remuneration has been agreed for all Executive Board members.
- The proportion of the variable remuneration within the overall remuneration package differs in each individual case and ranges from 64 to 70 percent for 100-percent achievement of targets.

- If the Executive Board members' employment contract is terminated prematurely, but not for good cause, the members of the Executive Board each receive compensation in the amount of their average discounted annual remuneration for the remainder of the contractual period including their variable remuneration, up to a maximum of two annual remunerations. If the contract is terminated after the age of 55 and prior to the member reaching the age of 60 (or in some cases 62), some members of the Executive Board may claim transitional payments.
- If they are temporarily prevented from working through no fault of their own, members of the Executive Board continue to receive their fixed annual salary and bonus for a limited period. In the event of death, widows and dependent children receive corresponding payments for a limited period. This does not affect widow's and orphan's pensions under the pension commitment.
- The non-cash remuneration and other remuneration includes a subsidy for health insurance and pension provisions, premiums for accident insurance, the use of a company car, etc.
- Under the pension commitment, the members of the Executive Board receive an old-age pension for life upon reaching the age of 62 (or in older cases, the age of 60) unless the employment relationship with the company was terminated for good cause that is the fault of the Executive Board member. In addition, an invalidity pension is paid in the event of disability, and a widow's and orphan's pension is paid in the event of death. Other remuneration may have to be offset against these amounts payable.

Total remuneration for the Executive Board

Total remuneration for the Executive Board in the fiscal year amounted to EUR 3.5 million (2015: EUR 3.2 million). Total remuneration for the Supervisory Board for the same period amounted to EUR 0.5 million (2015: EUR 0.5 million). At the AGM on May 31, 2016, a resolution was passed to refrain from itemizing information in line with Section 61 of the SE Regulation in conjunction with Section 285 no. 9a sentences 5 to 8 of the HGB and Section 314 (1) no. 6a sentences 5 to 8, as well as Section 315a (1) of the HGB (in the applicable version), in accordance with Section 286 (5) sentence 1, Section 314 (3) sentence 1, Section 315a (1) of the HGB.

Information on the Supervisory Board

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

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

Supplementary report

Please refer to the Notes to the Consolidated Financial Statements for information on events since the reporting date, December 31, 2016. →Page 161

Opportunities and outlook

Overall economic outlook

- Slight acceleration in global economy expected
- Uncertainty surrounding political direction of USA
- Turnaround expected in emerging economies

Positive outlook clouded by uncertainty
According to the International Monetary Fund (IMF), the pick-up in the global economy is set to continue in 2017, with experts anticipating a 3.4 percent growth rate. At the same time, the positive outlook is clouded by considerable uncertainty. The main doubt surrounds the future political direction of the USA under President Donald Trump. A protectionist economic policy could have severe repercussions for international trade and make existing imbalances even more pronounced. Further major risk factors cited by the IMF include the continued high debt levels burdening many countries and the geopolitical hotspots in the Middle East and Africa, along with the knock-on effects such as the refugee crisis and terrorist attacks.

While the outlook for the eurozone has improved somewhat in recent times, the bloc is not set to become a global growth driver in 2017. GDP growth here is expected to remain modest at 1.6 percent. Spain was singled out by the IMF as a country that would experience a significant slowdown following its recent boom. With estimated growth of 1.5 percent, Germany, too, would fail to improve on its 2016 performance.

The outlook for the USA looks considerably more positive. The new administration's proposals for an economic action plan, tax cuts and the elimination of red tape should spur on new growth. The IMF forecasts 2.3-percent GDP growth for the United States economy in 2017.

For the emerging countries, a long-expected turnaround could finally come to pass in 2017 with growth of 4.5 percent. Both Russia and Brazil are expected to come out of recession and return to modest growth. The slowdown in the Chinese economy is set to continue with a growth estimate of 6.5 percent. The IMF mainly attributes this to the high level of state intervention and the rising debt levels of Chinese companies.

GLOBAL GDP GROWTH 2017E TO 2018E
AS A %

Source: IWF, World Economic Outlook, Update January 2017.

Outlook for construction and agricultural industries

- Positive outlook for the construction sector
- Global demand for construction equipment set to rise
- Agricultural equipment market expected to stabilize

Good global prospects for construction equipment sector
2017 looks set to be a positive year for the construction sector in the key European markets for the Wacker Neuson Group. For Europe, the Euroconstruct research institute predicts a 2-percent increase in construction investment. France is the only country expected to see a slight downturn. Meanwhile, the prospects for the German construction industry look extremely favorable. The Federation of

the German Construction Industry and the Central Association of German Construction jointly made a growth forecast of 5 percent. The increased activity will again be driven by the residential sector. With the exceptions of Japan and Russia, the outlook for markets outside of Europe is positive.

Following five straight years of falling sales, Off-Highway Research sees the construction equipment industry returning to growth again in 2017. With global sales rising by 5 percent to around 690,000 units, the research institute sees the growth being spread across all regions. This includes the world's largest construction equipment market of China, which had recorded a slump of more than 75 percent between 2011 and 2016. Off-Highway Research predicts that unit sales will rise once again in 2017 by as much as 10 percent. In percentage terms, the Indian market is once more likely to account for the highest growth in 2017.

Strong demand for infrastructure investment will continue to provide major opportunities for global construction equipment manufacturers in the long term.

In Europe, construction investment over the coming years will be focused on road, rail and transport networks and on telecommunications. Other priorities include general renovation and modernization projects and measures to protect the environment and limit climate change. Residential construction investments should continue to rise, fueled by low interest rates. Greater demand will also be generated by the rising number of migrants requiring accommodation in many European countries. Transport infrastructure will continue to be a key area for the European Fund for Strategic Investments (EFSI), which was established by the EU to stimulate growth and employment. At the end of 2016, around EUR 164 billion in investment funding had already been approved – more than half of the target figure.

Investment in infrastructure also forms a central pillar of the economic action plan of newly elected US President Donald Trump, who wants to invest up to one trillion dollars in modernizing and expanding the country's transport, power and telecommunication networks over the next decade.

Emerging markets are also set to invest huge sums in infrastructure projects over the coming years, notably in the construction and expansion of roads, airports, rail networks, utility services (energy, waste and water), schools, universities, hospitals and telecommunication networks, as well as in the exploitation of raw materials. European construction equipment manufacturers with a strong position in these markets are set to benefit from these measures. Once the major infrastructure projects are complete, demand for investments in maintenance and expansion work will rise.

On this basis, Off-Highway Research forecasts a global market volume of just under 800,000 units in the year 2020. Rental firms represent an increasingly important customer group here, and their market share is expected to keep on rising over the coming years. According to a forecast by Global Market Insights, the global rental market will pass the 75-billion-dollar mark by 2024. In individual equipment categories, average annual growth is likely to approach 10 percent – significantly higher than the construction equipment market as a whole.

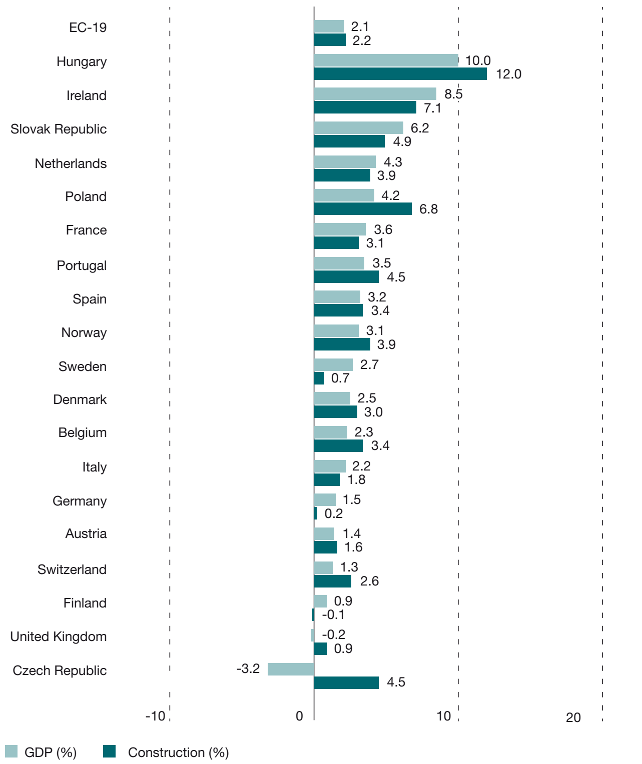
European agricultural technology sector expected to stabilize

According to the business barometer of CEMA (European Association of Agricultural Machinery Industry), sentiment among European agricultural machinery manufacturers has greatly improved of late. One reason for this is undoubtedly the rising prices for commodities like milk and grain.

Similarly, the forecasts of the German Engineering Federation (VDMA) for global agricultural technology markets are more positive than in recent years. The global market volume for 2017 is expected to be in line with that of the previous year. In Europe, the downward trend persisting since 2013 is expected to continue, albeit at the moderate rate of 2 percent. The wide availability of used equipment is still hampering new sales. Following a significant downturn in 2016, the German market is likely to weaken only slightly during the coming year. According to the barometer for agricultural activity issued by the German Farmers' Association at the start of 2017, sentiment among German landholders had again improved but was still short of full recovery. As a result, willingness to invest remained subdued. On a more positive note, the VDMA predicted growth impetus in Russia, India and South America.

Universal trends – such as the world's growing population and the resulting increase in demand for foodstuffs – should continue to have a positive effect on the agricultural equipment sector in the medium and long term. The basic need for modern machines, in particular to work agricultural holdings efficiently, should continue to increase. Falling market prices for agricultural commodities could increase pressure to raise efficiency levels further. In its Agricultural Outlook 2015, the OECD projects that prices will decrease over the next ten years when adjusted for inflation.

CUMULATED CONSTRUCTION AND ECONOMIC GROWTH (EUROPE): 2016E–2018E (3 YEARS)



Source: Euroconstruct, November 2016.

Opportunities for future development

- Strategy for profitable growth being implemented
- Internationalization, diversification, synergies
- Revenue and profit increases expected in 2017/2018

Strategic roadmap for the Wacker Neuson Group

Even though business is suffering due to the sector's current challenging environment, global growth trends remain unchanged. Trends in the construction and agricultural industries will lead to greater global demand for compact and light equipment. The biggest growth drivers for the Group will be as follows:

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

FIG. 11 Trends driving product sales

Global trends in the construction industry

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

Global trends in agriculture and other sectors

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

These trends present long-term opportunities for the Wacker Neuson Group → FIG. 11, enabling it to build on its leading technical expertise in light and compact equipment and expand across the globe.

Focus on sustainable profitable growth
The Wacker Neuson Group's strategy is geared towards lasting, profitable growth and financial stability. The recent carefully coordinated moves to expand the Group's international footprint are expected to deliver further growth. The long-term plan is to establish an even wider global presence and position Wacker Neuson as a major player in all of our markets. The Group sees major potential in the emerging markets, which currently only account for around one tenth of total revenue. The strategy of increasingly distributing compact equipment via the global sales and distribution network for light equipment should increase the share of revenue from markets outside of Europe in the long term. This broader international reach will also help offset fluctuations in individual regions and industries.

The Group has already implemented the following measures in response to the change in dynamics:

- Targeted expansion of profitable business fields
- Bundling of procurement requirements and identification of potential savings
- Critical assessment of investments
- Targeted working capital management and reduction of inventories
- Optimization of production processes through the consistent use of lean management practices
- Continued international expansion (products and services)
- Increase in market penetration through cross selling and diversification
- Development of competitive products (especially for emerging markets) and new technologies (such as alternative drive technologies)
- Development of platform strategies for products
- Critical assessment of all new hires

FIG. 12 Pillars of the GIPI corporate strategy

1. Growth

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

2. Internationalization

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

3. Professionalization

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

4. Integration

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

The Group's strong financial position and market reach provide it with a good foundation for further growth in the core markets of Europe and North America. The Group will therefore continue to invest in research and development with the aim of further expanding its service portfolio and reinforcing its position as a technology leader in its core markets.

The Group's sales affiliates will offer specific industries an even more tailored portfolio in order to serve other markets outside the cyclical construction industry. Targeted diversification and cross-segment synergies will help to stabilize the Group in a volatile climate.

With a view to enhancing the Group's product portfolio and expanding its international footprint, the Group is planning further partnerships and acquisitions in the medium to long term.

The GIPI (Growth, Internationalization, Professionalization, Integration) strategy introduced in 2012 is still being pursued and a variety of future-oriented projects are currently underway. → FIG. 12

New processes and technologies

The Group is working on further standardization of its technology processes and platform concepts. When it comes to innovations, the Group will keep its focus firmly on meeting market requirements, whether developing new, alternative drive technologies or optimizing user protection, comfort and efficiency levels.

Digitalization and virtual product development are playing an increasingly important role on the technology and production fronts. State-of-the-art technology is increasingly being used in developments like virtual reality tools for industrial and product design and for optimizing production activities.

Lean management is an important topic. Extensive activities are underway at a number of sites and will be standardized across the Group.

On the compliance front, the Group is implementing preventive measures and raising awareness of compliance guidelines worldwide as part of efforts to expand its global compliance management. These activities are aimed at both staff and business partners.

New products and services

It is becoming increasingly important for manufacturers to tailor products to the needs of customers in local markets. The Wacker Neuson Group therefore focuses its international marketing activities on customers' regional requirements.

Over the coming years, the Wacker Neuson Group will be looking to enter more emerging markets in which it does not currently have a foothold. To boost its presence, the Group has launched the M-series product line, tailored specifically to the requirements of these markets.

The ongoing development of the ECO range of products together with the ECO seal (ECO = ECOlogy and ECOnomy) reflects Wacker Neuson's commitment to the global trend of creating more efficient, environmentally sound machines with low or zero emissions.

In the services segment, the Group plans to expand and reach out to more countries in line with market needs, especially in the spare parts business.

Forecast

Revenue and profit growth expected in 2017

The Wacker Neuson Group expects revenue and profit growth in 2017 and the following years – provided that no significant political events occur in Western economies leading to a change in economic circumstances.

OVERVIEW

	2017e	2018e
Revenue	€ 1.40 to 1.45 bn	Further growth
EBIT margin[1]	7.5% to 8.5%	Better
Investments	approx. € 120 million	Adapted to market developments

Business developed positively in the first few weeks of fiscal 2017. There are signs of recovery in the Wacker Neuson Group's target markets such as the agricultural sector. The order books were already well filled at the start of the year.

The Executive Board predicts overall revenue for fiscal 2017 of between EUR 1.40 and 1.45 billion, which corresponds to growth of 3 to 7 percent (2016: EUR 1.36 billion). The EBIT margin[1] is expected to lie between 7.5 and 8.5 percent (2016: 6.5 percent).

Segment trends

Single-digit growth is expected in the core markets of Europe, while a double-digit figure is predicted in the US and in the Asia-Pacific region.

North America will again help to fuel growth, above all due to strong demand from the construction industry. The Group was dependent here on demand from the oil and gas industry, and its decline in the past two years had impacted on sales of light equipment, especially in Canada. The start-up problems with skid steer loaders will also have been resolved, eliminating all obstacles to the sale of this equipment category.

Growth is also expected to return in South America – not least on account of the new assembly plant for mobile generators which the Group opened in Brazil in 2016.

Further growth is predicted in Africa and Asia. In China, for example, sales of the recently introduced compact equipment range are expected to grow. The Group will localize production in the course of 2017 and does expect to benefit from this step 2018 onwards. In Australia, too, the Group forecasts a continuation of single-digit growth.

The Group predicts growth through 2017 for all three business segments (light equipment, compact equipment and services). Compact equipment is expected to continue developing at a dynamic pace, fueled primarily by increased international sales. As the services segment continues to grow in line with the rise in sales, the Group expects its share of revenue to remain at more or less the same level.

Planned financing options, future investments and cost trends

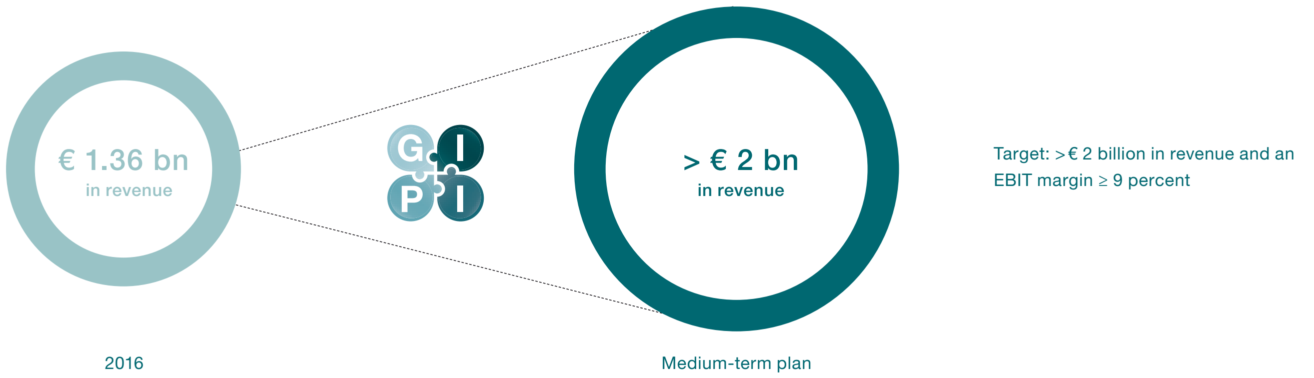
The Wacker Neuson Group intends to continue investing in profitable projects and driving growth across all regions and business segments. For fiscal 2017, the Group has earmarked around EUR 120 million in total for investments (2016: EUR 107.0 million).

The company aims to maintain its independence, directly sourcing its own a variety of refinancing lines on the market. To this end, a new Schuldschein loan was agreed on February 27, 2017 after Tranche I of the previous Schuldschein loan agreement in the amount of EUR 90 million became due for repayment in February 2017.

As in previous years, the Wacker Neuson Group is again expecting positive free cash flow for 2017, with cash flow from operating activities exceeding cash flow from investment activities.

[1] Based on operative earnings, not including one-off earnings from a possible transaction relating to a real-estate company in the Group. For more information, refer to item 26 in the Notes to the Consolidated Financial Statements. → Page 161

FIG. 13 Medium-term target: profitable growth



The Group aims to maintain its balance sheet structure with a comparatively high equity ratio. Equity ratio currently amounts to around 69 percent, net financial debt is relatively low, and the Group's financial situation is correspondingly healthy. The Group aims to leverage these strong financials and assets to help drive a robust level of growth over the coming years.

Outlook through 2018
From its current standpoint, the Wacker Neuson Group predicts revenue and profit growth for fiscal 2018.

Summary forecast

The Wacker Neuson Group expects business to develop positively in fiscal 2017 and 2018.

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

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

Munich, March 14, 2017

Wacker Neuson SE, Munich, Germany

The Executive Board

Cem Peksaglam
CEO

Wilfried Trepels
CFO

Martin Lehner
CTO
(Deputy CEO)

Alexander Greschner
CSO

Consolidated Financial Statements

Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € K

	Notes	Jan. 1 – Dec. 31, 2016	Jan. 1 – Dec. 31, 2015
Revenue	(1)	1,361,440	1,375,330
Cost of sales		-985,247	-990,838
Gross profit		**376,193**	**384,492**
Sales and service expenses		-193,452	-186,726
Research and development expenses		-34,775	-33,589
General administrative expenses		-68,574	-70,969
Other income	(2)	27,481	27,999
Other expenses	(4)	-18,759	-17,560
Profit before interest and tax (EBIT)		**88,114**	**103,647**
Financial income	(5a)	1,570	1,782
Financial expenses	(5b)	-8,271	-7,912
Profit before tax (EBT)		**81,413**	**97,517**
Taxes on income	(6)	-24,169	-30,855
Profit for the year		**57,244**	**66,662**
Of which are attributable to:			
Shareholders in the parent company		56,830	66,161
Minority interests		414	501
		57,244	66,662
Earnings per share in euros (diluted and undiluted)	**(7)**	**0.81**	**0.94**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € K

	Notes	Jan. 1 – Dec. 31, 2016	Jan. 1 – Dec. 31, 2015
Profit for the year		**57,244**	**66,662**
Other income			
Income to be recognized in the income statement for subsequent periods:			
Exchange differences		5,600	20,273
Income to be recognized in the income statement for subsequent periods		**5,600**	**20,273**
Income not to be recognized in the income statement for subsequent periods:			
Actuarial gains/losses from pension obligations	(17)	-6,007	1,860
Effect of taxes on income		1,739	-481
Income not to be recognized in the income statement for subsequent periods		**-4,268**	**1,379**
Other comprehensive income after tax		**1,332**	**21,652**
Total comprehensive income after tax		**58,576**	**88,314**
Of which are attributable to:			
Shareholders in the parent company		58,162	87,813
Minority interests		414	501
		58,576	**88,314**

Consolidated Balance Sheet

BALANCE AT DECEMBER 31

IN € K

	Notes	Dec. 31, 2016	Dec. 31, 2015
Assets			
Property, plant and equipment	(8)	427,847	419,326
Property held as financial investment	(9)	23,151	17,615
Goodwill	(10a)	238,597	238,282
Intangible assets	(10b)	124,933	123,713
Deferred tax assets	(6)	39,125	39,126
Other non-current financial assets	(11)	24,543	10,784
Other non-current non-financial assets	(11)	1,192	1,902
Total non-current assets		**879,388**	**850,748**
Inventories	(12)	443,116	474,560
Trade receivables	(13)	213,761	180,035
Tax offsets		9,877	4,597
Other current financial assets	(14)	2,501	2,763
Other current non-financial assets	(14)	14,569	14,451
Cash and cash equivalents	(15)	17,572	25,019
Total current assets		**701,396**	**701,425**
Total assets		**1,580,784**	**1,552,173**
Equity and liabilities			
Subscribed capital	(16)	70,140	70,140
Other reserves	(16)	612,392	611,060
Net profit/loss		404,669	382,909
Equity attributable to shareholders in the parent company		**1,087,201**	**1,064,109**
Minority interests		**5,389**	**4,975**
Total equity		**1,092,590**	**1,069,084**
Long-term financial borrowings	(19)	30,019	124,415
Deferred tax liabilities	(6)	30,803	33,537
Long-term provisions	(17) (18)	54,243	48,158
Total non-current liabilities		**115,065**	**206,110**
Trade payables	(20)	87,603	80,132
Short-term borrowings from banks	(19)	190,530	99,308
Current portion of long-term borrowings	(19)	2,861	375
Short-term provisions	(18)	15,695	13,132
Tax liabilities		1,817	3,210
Other short-term financial liabilities	(21)	30,008	27,704
Other short-term non-financial liabilities	(21)	44,615	53,118
Total current liabilities		**373,129**	**276,979**
Total liabilities		**1,580,784**	**1,552,173**

Consolidated Statement of Change in Equity

BALANCE AT DECEMBER 31

IN € K

	Subscribed capital	Capital reserves	Exchange differences	Other neutral changes	Net profit/ loss	Equity attributable to shareholders in the parent company	Minority interests	Total equity
Notes	(16)	(16)	(16)	(16)				
Balance at January 1, 2015	**70,140**	**618,661**	**-13,722**	**-15,531**	**352,201**	**1,011,749**	**4,474**	**1,016,223**
Profit for the year	0	0	0	0	66,161	66,161	501	66,662
Other income	0	0	20,273	1,379	0	21,652	0	21,652
Total comprehensive income	**0**	**0**	**20,273**	**1,379**	**66,161**	**87,813**	**501**	**88,314**
Change in consolidation structure	0	0	0	0	-383	-383	0	-383
Dividends	0	0	0	0	-35,070	-35,070	0	-35,070
Balance at December 31, 2015	**70,140**	**618,661**	**6,551**	**-14,152**	**382,909**	**1,064,109**	**4,975**	**1,069,084**
Profit for the year	0	0	0	0	56,830	56,830	414	57,244
Other income	0	0	5,600	-4,268	0	1,332	0	1,332
Total comprehensive income	**0**	**0**	**5,600**	**-4,268**	**56,830**	**58,162**	**414**	**58,576**
Change in consolidation structure	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	-35,070	-35,070	0	-35,070
Balance at December 31, 2016	**70,140**	**618,661**	**12,151**	**-18,420**	**404,669**	**1,087,201**	**5,389**	**1,092,590**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € K

	Notes	Jan. 1 – Dec. 31, 2016	Jan. 1 – Dec. 31, 2015
EBT		**81,413**	**97,517**
Adjustments to reconcile profit before tax with gross cash flows:			
Depreciation and amortization		69,295	67,672
Other non-cash income/expenditure		-4,090	-5,808
Gains/losses from sale of intangible assets and property, plant and equipment		-238	-1,323
Book value from the disposal of rental equipment		20,161	19,791
Actuarial losses from pension obligations		-6,007	1,379
Financial result	(5)	6,701	6,130
Changes in misc. assets		-11,641	6,914
Changes in provisions		8,401	-1,449
Changes in misc. liabilities		4,195	6,007
Interest paid		-8,123	-7,614
Income tax paid		-41,884	-38,422
Interest received		1,428	1,736
Gross cash flow		**119,611**	**152,530**
Changes in inventories		37,183	-32,879
Changes in trade receivables		-32,836	-1,649
Changes in trade payables		7,108	12,997
Changes in working capital		**11,455**	**-21,531**
Cash flow from operating activities		**131,066**	**130,999**
Purchase of property, plant and equipment	(8)	-90,724	-100,659
Purchase of intangible assets	(10)	-16,226	-17,736
Proceeds from the sale of property, plant and equipment, intangible assets and non-current assets held for sale		4,547	4,983
Change in consolidation structure		**0**	**227**
Cash flow from investment activities		**-102,403**	**-113,185**
Free cash flow [1]		**28,663**	**17,814**
Dividends	(16)	-35,070	-35,070
Cash receipts from short-term borrowings		76,682	47,453
Repayments from short-term borrowings		-75,727	-16,685
Cash receipts from long-term borrowings		0	0
Repayments from long-term borrowings		-1,992	-2,244
Payment of finance lease liabilities		0	-85
Cash flow from financing activities		**-36,107**	**-6,631**
Change in cash and cash equivalents		**-7,444**	**11,183**
Effect of exchange rates on cash and cash equivalents		-3	-364
Change in cash and cash equivalents		**-7,447**	**10,819**
Cash and cash equivalents at beginning of period	**(15)**	**25,019**	**14,200**
Cash and cash equivalents at end of period	**(15)**	**17,572**	**25,019**

[1] Free cash flow = cash flow from operating activities + cash flow from investment activities.

Consolidated Segmentation

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

SEGMENTATION (GEOGRAPHICAL SEGMENTS)

IN € K

	Europe	Americas	Asia-Pacific	Consolidation	Group
2016					
Segment revenue					
Total sales	1,717,756	714,829	58,090		2,490,675
Less intrasegment sales	-605,756	-385,850	-3,345		-994,951
	1,112,000	328,979	54,745		1,495,724
Intersegment sales	-91,320	-37,111	-5,853		-134,284
Total	**1,020,680**	**291,868**	**48,892**		**1,361,440**
EBIT	**97,939**	**-9,268**	**-8,517**	**7,960**	**88,114**
Write-downs	**69,404**	**9,237**	**932**	**-10,278**	**69,295**
EBITDA[1]	**167,343**	**-31**	**-7,585**	**-2,318**	**157,409**

	Europe	Americas	Asia-Pacific	Consolidation	Group
2015					
Segment revenue					
Total sales	1,651,829	871,315	87,486		2,610,630
Less intrasegment sales	-547,480	-478,072	-20,099		-1,045,651
	1,104,349	393,243	67,387		1,564,979
Intersegment sales	-125,058	-44,698	-19,893		-189,649
Total	**979,291**	**348,545**	**47,494**		**1,375,330**
EBIT	**112,669**	**4,412**	**120**	**-13,554**	**103,647**
Write-downs	**64,774**	**9,602**	**921**	**-7,625**	**67,672**
EBITDA[1]	**177,443**	**14,014**	**1,041**	**-21,179**	**171,319**

[1] See Note 27: Segmentation.

SEGMENTATION (BUSINESS SEGMENTS)

IN € K

	2016	2015
Segment revenue from external customers		
Light equipment	377,873	417,091
Compact equipment	709,266	697,523
Services	297,160	283,941
	1,384,299	1,398,555
Less cash discounts	-22,859	-23,225
Total	**1,361,440**	**1,375,330**

Geographical areas

REVENUE ACCORDING TO COMPANY LOCATION

IN € K

	2016	2015
Germany	542,771	520,445
USA	223,593	269,914
Other	595,076	584,971
Wacker Neuson overall	**1,361,440**	**1,375,330**

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Germany	277,501	269,578
Austria	355,720	355,901
Other	182,499	175,359
Wacker Neuson overall	**815,720**	**800,838**

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

Notes to the Consolidated Financial Statements

General information on the company

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

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

General information on accounting standards

The following Consolidated Financial Statements for fiscal 2016 were prepared in accordance with the International Accounting Standards (IAS) as approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) as interpreted by the IFRS Interpretation Committee (IFRS IC) as adopted by the EU, and in supplementary compliance with the provisions set forth in Section 315a (1) of the German Commercial Code (HGB). All valid and binding standards for fiscal 2016 have been applied.

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

Wacker Neuson SE's fiscal year corresponds to the calendar year. The Consolidated Financial Statements for fiscal 2016 (which include prior-year figures) were approved for publication by the Executive Board on March 14, 2017.

Changes in accounting under IFRS

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

The following standards, amendments to standards and interpretations are mandatory as of January 1, 2016.

Name	Description	Mandatory as of[1]
IFRS 11	Acquisition of an interest in a joint operation	January 1, 2016
	Disclosure initiative (amendments to IAS 1)	January 1, 2016
	Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
	Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
IAS 27	Equity method in separate financial statements	January 1, 2016
	Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
	Improvements to IFRS (2012 – 2014)	January 1, 2016

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

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

Standards and interpretations that have been published but not yet applied

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

Name	Description	Mandatory as of[1]
EU endorsement granted by date of approval for publication		
IFRS 9	Financial instruments (recognition, classification and measurement) and hedging relationships	January 1, 2018
IFRS 15	Revenue from contracts with customers	January 1, 2018
EU endorsement outstanding		
IAS 12	Recognition of deferred tax assets for unrealized losses	January 1, 2017
IFRS 15	Clarifications to IFRS 15: Revenue from contracts with customers	January 1, 2018
IFRS 2	Clarifications of classification and measurement of share based payment transactions	January 1, 2018
IFRS 4	Application of IFRS 9 'Financial instruments' together with IFRS 4 'Insurance contracts'	January 1, 2018
IFRS 16	Leases	January 1, 2019
IAS 7	Disclosure initiative	January 1, 2017
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2018
IAS 40	Transfers of investment property	January 1, 2018
	Improvements to IFRS (2014 – 2016)	January 1, 2017/2018
	Sales or contributions of assets between an investor and its associate/joint venture (amendments to IFRS 10 and IAS 28)	–[2]

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

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

IFRS 15

IFRS 15 was published in May 2014. It introduces a five-step model framework for recognizing revenue from contracts with customers. Under IFRS 15, revenue is recognized in the amount of the consideration to which an entity can expect to be entitled in exchange for transferring promised goods or services to a customer (the transaction price as defined in IFRS 15). The new standard on revenue will replace all current existing regulations on the revenue recognition as per IFRS. For fiscal years starting on or after January 1, 2018, entities must apply the new standard in full to prior periods or reflect the modified effect for prior periods. Earlier adoption is permitted. The Group intends to apply the new standard on the date on which it comes into force and chooses to reflect the modified effect for prior periods. In fiscal 2016, the Group carried out a preliminary evaluation of IFRS 15, the results of which may change pending a further detailed analysis. Furthermore, the Group has taken into consideration the clarifications published by the IASB in April 2016 and will continue to monitor further developments here.

(a) The sale of goods

Contracts with customers in which the sale of machines and spare parts are generally expected to be the only performance obligation are not likely to have an impact on Group revenue. The Group expects that the revenue will be recognized at a point in time when control of asset is passed to the customer. This is generally the case when goods are delivered. The Group is taking the following aspects into consideration in its preparations for the application of IFRS 15:

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

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

(b) Presentation and disclosure objectives

The presentation and disclosure objectives of IFRS 15 go much further than the provisions set down in current standards. The new presentation objectives represent a significant change to current practices and will require much more information in the Consolidated Financial Statements. Many of the disclosure objectives in IFRS 15 are completely new. In fiscal 2016, the Group evaluated its systems to gather and disclose the requisite information.

IFRS 9

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

The Group intends to apply the new standard on the date on which it comes into force. In fiscal 2016, the Group carried out an evaluation to determine the impact of all three aspects of IFRS 9. This preliminary evaluation is based on currently available information and may change as a result of further detailed analyses or in light of additional appropriate and substantiated information provided to the Group in future. Overall, the Group does not expect any material impact on its balance sheet or equity in this context.

(a) Classification and measurement

The Group does not expect the application of the classification and measurement objectives of IFRS 9 to have a material impact on its balance sheet or equity. The Group assumes all financial assets that it holds at fair value will continue to be measured at fair value. However, listed shares that are currently recognized as available for sale and whose profit or loss are disclosed in other income will be recognized at fair value through profit or loss. This recognition increases profit or loss volatility. The reserve for available-for-sale financial assets, which is currently recognized in accumulated other income, will be reclassified to the opening balance of revenue reserves.

Under IFRS 9, debt instruments must be measured at fair value through other comprehensive income (FVTOCI). This is because the Group intends to not only hold the assets to collect the contractually agreed cash flows but also to also sell a significant portion of them at regular intervals.

The Group intends to hold its shares in non-listed companies for the foreseeable future. It expects that It will be able to elect the option for equity instruments that are not held for trading and, as such, recognize changes in fair value in other income. The Group is therefore of the opinion that the application of IFRS 9 will not have a material impact on its financial statements. In the event that the Group does not elect this option, the shares would have to be classified at fair value through profit or loss, which would increase profit or loss volatility.

Loans and trade receivables are held to collect contractual cash flows, which are solely payments of principal and interest on the principal amount outstanding. As such, the Group expects that these will continue to be recognized at amortized cost under IFRS 9. However, the Group will examine the aspects of the contractually agreed cash flows of these instruments in more detail before reaching a final conclusion as to whether all of these financial instruments meet the criteria for recognition at amortized cost under IFRS 9.

(b) Impairment

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

(c) Hedge accounting

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

IFRS 16

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

The Group intends to evaluate the potential impacts of IFRS 16 in fiscal 2017. It will not opt for early adoption of this standard.

Closing date

The closing date for all affiliates included in the Consolidated Financial Statements is December 31 of the respective year. The accounting period valid for the current statements is January 1, 2016 through December 31, 2016.

Consolidation structure → see fig. page 131

In addition to the parent company, Wacker Neuson SE, the Consolidated Financial Statements as at December 31, 2016 include the following affiliates controlled by the Group. The Group is deemed to control a company if it carries the risks associated with that company along with the rights to fluctuating returns on its shareholding in the company, and also if it can use its power of control over the company to influence these returns. Control is exercised through the following shareholdings:

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a % direct	indirect	Equity in € K	Segment
	Germany							
1	Wacker Neuson Produktion GmbH & Co. KG	Munich	PXX	Germany	100		46,380	Europe
2	Wacker Neuson PGM Verwaltungs GmbH	Munich	Other	Germany		100	31	Europe
3	Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich	SXX	Germany	100		74,737	Europe
4	Wacker Neuson SGM Verwaltungs GmbH	Munich	Other	Germany		100	32	Europe
5	Wacker Neuson Vertrieb Europa GmbH & Co. KG	Munich	Logistics	Germany	100		31,812	Europe
6	Wacker Neuson SEM Verwaltungs GmbH	Munich	Other	Germany		100	31	Europe
7	Wacker Neuson ImmoWest 1 GmbH	Munich	Other	Germany	100		24	Europe
8	Wacker Neuson ImmoWest 2 GmbH	Munich	Other	Germany	100		24	Europe
9	Wacker Neuson ImmoWest 3 GmbH	Munich	Other	Germany	100		24	Europe
10	Wacker Neuson ImmoWest 4 GmbH	Munich	Other	Germany	100		24	Europe
11	Weidemann GmbH	Diemelsee-Flechtdorf	PXX	Germany	100		41,878	Europe
12	Kramer-Werke GmbH	Pfullendorf	PXX	Germany		95	125,836	Europe
13	PADEM Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Gutmadingen KG	Düsseldorf	Other	Germany		90	44	Europe
14	Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf	Other	Germany		95	7,120	Europe
15	Wacker Neuson Grundbesitz Verwaltungs GmbH	Pfullendorf	Other	Germany		95	26	Europe
16	Wacker Neuson Immobilien GmbH	Überlingen	Other	Germany		95	3,160	Europe
	Rest of Europe							
17	Wacker Neuson ApS	Karlslunde	SXX	Denmark	100		1,084	Europe
18	Wacker Neuson S.A.S.	Brie-Comte-Robert (near Paris)	SXX	France	100		4,054	Europe
19	Wacker Neuson Ltd.	Stafford (near Birmingham)	SXX	UK	100		10,539	Europe
20	Wacker Neuson srl con socio unico	San Giorgio di Piano (near Bologna)	SXX	Italy	100		812	Europe
21	Wacker Neuson B.V.	Amersfoort	SXX	Netherlands	100		3,265	Europe
22	Wacker Neuson AS	Hagan (near Oslo)	SXX	Norway	100		3,375	Europe
23	Wacker Neuson Beteiligungs GmbH	Hörsching (near Linz)	Holding	Austria	100		162,908	Europe
24	Wacker Neuson Linz GmbH	Hörsching (near Linz)	PXX	Austria		100	143,676	Europe
25	Wacker Neuson Kragujevac d.o.o.	Kragujevac	PXX	Serbia		100	1,745	Europe
26	Wacker Neuson Lapovo d.o.o.	Lapovo	Other	Serbia		100	1,404	Europe
27	Wacker Neuson GmbH	Vienna	SXX	Austria	100		16,096	Europe
28	Wacker Neuson Sp. z.o.o.	Jawczyce (near Warsaw)	SXX	Poland	100		7,387	Europe
29	Wacker Neuson GmbH	Moscow	SXX	Russia	100		5,432	Europe
30	Wacker Neuson AB	Södra Sandby (near Malmö)	SXX	Sweden	100		3,982	Europe

[1] SXX = Sales location / PXX = Production location / Other = Generally refers to real estate companies or general partners (Komplementär) in KG companies.

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a % direct	indirect	Equity in € K	Segment
31	Drillfix AG	Volketswil (near Zürich)	Other	Switzerland	100		249	Europe
32	Wacker Neuson AG	Volketswil (near Zürich)	SXX	Switzerland	100		34,251	Europe
33	Wacker Neuson, S.A.	Torrejón de Ardoz (near Madrid)	SXX	Spain	100		3,696	Europe
34	Wacker Neuson (Pty) Ltd.	Florida (near Johannesburg)	SXX	South Africa	100		7,246	Europe
35	Wacker Neuson s.r.o.	Prague	SXX	Czech Republic	100		5,207	Europe
36	Wacker Neuson Makina Limited Şirketi	Küçükbakkalköy (near Istanbul)	SXX	Turkey	100		5,429	Europe
37	Wacker Neuson Kft.	Törökbálint (near Budapest)	SXX	Hungary	100		615	Europe
	Americas							
38	Wacker Neuson Máquinas Ltda.	Jundiaí (near São Paulo)	SXX	Brazil	100		3,749	Americas
39	Wacker Neuson Ltda.	Huechuraba (near Santiago)	SXX	Chile	100		8,750	Americas
40	Wacker Neuson Ltd.	Mississauga (near Toronto)	SXX	Canada	100		4,139	Americas
41	Wacker Neuson S.A. de C.V.	Mexico City	SXX	Mexico	100		2,531	Americas
42	Wacker Neuson Corporation	Menomonee Falls[2]	Holding	USA	100		120,215	Americas
43	Wacker Neuson Logistics Americas LLC	Menomonee Falls[2]	Logistics	USA		100	60,680	Americas
44	Wacker Neuson Production Americas LLC	Menomonee Falls[2]	PXX	USA		100	68,754	Americas
45	Wacker Neuson Sales Americas LLC	Menomonee Falls[2]	SXX	USA		100	22,830	Americas
46	Wacker Neuson Bogotá S.A.S.	Bogotá	SXX	Colombia	100		741	Americas
47	Wacker Neuson Lima S.A.C.	Lima	SXX	Peru	99	1	1,663	Americas
	Asia-Pacific							
48	Wacker Neuson Pty Ltd.	Springvale (near Melbourne)	SXX	Australia	100		11,877	Asia-Pacific
49	Wacker Neuson Limited	Hong Kong	SXX	Hong Kong	100		1,813	Asia-Pacific
50	Wacker Neuson Machinery Trading (Shenzhen) Ltd. Co.	Shenzhen	SXX	China		100	–[3]	Asia-Pacific
51	Wacker Neuson Shanghai Ltd.	Shanghai	SXX	China	100		3,874	Asia-Pacific
52	Wacker Neuson Machinery (China) Co., Ltd.	Pinghu	PXX	China	100		894	Asia-Pacific
53	Wacker Neuson (Singapore) PTE. LTD	Singapore	SXX	Singapore	100		1,595	Asia-Pacific
54	Wacker Neuson Equipment Private Ltd.	Bangalore	SXX	India	100		1,147	Asia-Pacific
55	Wacker Neuson Manila, Inc.	Dasmariñas (near Manila)	PXX	Philippines	100		9,032	Asia-Pacific
56	Wacker Neuson Holding Limited	Samutprakarn (near Bangkok)	Holding	Thailand	100		25	Asia-Pacific
57	Wacker Neuson Limited	Samutprakarn (near Bangkok)	SXX	Thailand		100	514	Asia-Pacific

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

In fiscal 2016, the following new companies were included in the consolidation structure for the first time:

Company name	Country	Share as a % (direct)	Share as a % (indirect)	Segment
Wacker Neuson Machinery (China) Co., Ltd.	China	100	0	Asia-Pacific
Wacker Neuson ImmoWest 1 GmbH	Germany	100	0	Europe
Wacker Neuson ImmoWest 2 GmbH	Germany	100	0	Europe
Wacker Neuson ImmoWest 3 GmbH	Germany	100	0	Europe
Wacker Neuson ImmoWest 4 GmbH	Germany	100	0	Europe

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

No acquisitions or disposals were made in fiscal 2016.

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

Consolidation principles

The Consolidated Financial Statements are based on the annual financial statements of the domestic and foreign companies included in the Group, which were prepared in accordance with IFRS to the year ending December 31, 2016. The annual financial statements of these companies were prepared according to the uniform accounting and valuation methods applied by the Group.

Equity was consolidated according to the acquisition method. For the first consolidation of subsidiaries, all identifiable assets, liabilities and contingent liabilities of the acquired companies are recognized at fair value.

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

Receivables and payables as well as purchases and sales between consolidated Group affiliates have been eliminated. Group inventories and fixed assets are adjusted to reflect intercompany profits.

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

Exchange differences

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

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

Exchange differences resulting from the translation of foreign affiliates into the Group's currency, which arise from the application of different exchange rates for the balance sheet and income statement are recognized in other income and recorded as a separate item of equity so they have no impact on the financial result.

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

1 euro equals		2016	2015	2016	2015
		Annual average rates		Rates at balance sheet date[1]	
Australia	AUD	1.4882	1.4782	1.4596	1.4897
Brazil	BRL	3.8573	3.7047	3.4305	4.3117
Chile	CLP	748.3807	726.5256	706.3400	773.4900
China	CNY	7.3503	6.9750	7.3202	7.0608
Denmark	DKK	7.4453	7.4587	7.4344	7.4626
United Kingdom	GBP	0.8191	0.7259	0.8562	0.7340
Hong Kong	HKD	8.5899	8.6021	8.1751	8.4376
India	INR	74.3498	71.2122	71.5935	72.0215
Japan	JPY	120.2668	134.3270	123.4000	131.0700
Canada	CAD	1.4659	1.4194	1.4188	1.5116
Colombia	COP	3377.576	3047.754	3170.000	3457.400
Mexico	MXN	20.6788	17.6168	21.7719	18.9145
Norway	NOK	9.2918	8.9537	9.0863	9.6030
Peru	PEN	3.7352	3.5302	3.5465	3.7083
Philippines	USD	1.1066	1.1096	1.0541	1.0887
Poland	PLN	4.3628	4.1849	4.4103	4.2639
Russia	RUB	74.1453	68.1572	64.3000	80.6736
Sweden	SEK	9.4679	9.3526	9.5525	9.1895
Switzerland	CHF	1.0901	1.0680	1.0739	1.0835
Serbia	RSD	122.3649	120.6467	123.4250	121.5140
Singapore	SGD	1.5275	1.5259	1.5234	1.5417
South Africa	ZAR	16.2656	14.1856	14.4570	16.9530
Thailand	THB	39.0392	38.0446	37.7260	39.2480
Czech Republic	CZK	27.0345	27.2776	27.0210	27.0230
Turkey	TRY	3.3433	3.0265	3.7072	3.1765
USA	USD	1.1066	1.1096	1.0541	1.0887

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

Accounting and valuation methods

Realization of revenue, income and expenses

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

Determining fair value

The Group identifies certain financial instruments (derivatives and securities) and recognizes them at fair value at every closing date in line with applicable guidelines. The fair value of financial instruments is also reported. Refer to item 25 “Additional information on financial instruments” in these Notes for additional information on fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the business transaction takes place

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

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

The fair value of an asset or liability is measured on the basis of assumptions that market participants would use to agree on a price that is in their best economic interests.

The Group uses appropriate evaluation techniques that provide sufficient data for measuring fair value. These processes must give the highest priority to observable inputs and the lowest priority to non-observable inputs. All assets and liabilities to be measured at fair value or recognized in the financial statements are categorized into the following fair value hierarchies based on the lowest-level input that is significant overall to the measurements at fair value.

- Level 1: Prices quoted in active markets (not adjusted)
- Level 2: Evaluation processes where the key lowest-level input is observable either directly or indirectly on the market for the asset or liability
- Level 3: Evaluation processes where the key lowest-level input is not observable on the market

The categorizations are checked at the end of each reporting period.

Property, plant and equipment
Property, plant and equipment is recognized in accordance with IAS 16. Property, plant and equipment is valued at acquisition costs or manufacturing costs less accumulated linear depreciation and accumulated impairment. Property, plant and equipment is derecognized on disposal.

Financing costs are capitalized provided there is a qualified underlying asset.

Investment properties
Land and buildings held for the purpose of generating rental revenue are measured at amortized cost using the acquisition cost method. Straight-line depreciation occurs using the pro rata temporis method.

Intangible assets
Intangible assets with a limited useful life are capitalized at acquisition cost or manufacturing cost less accumulated depreciation and accumulated impairment and amortized on a straight-line basis depending on their projected useful life.

Intangible assets with an unlimited useful life are not subject to scheduled amortization but are tested for impairment at least once a year.

Financing costs are capitalized provided there is a qualified underlying asset.

Leases

When the Group is the lessor
Leasing transactions regarding tangible assets in which the Group as the lessor transfers all material risks and rewards from the use of the leased object to the lessee are treated as finance leases according to IAS 17. In such cases, the lessee recognizes the leased object as an asset in the balance sheet and it is therefore not entered in the Group balance sheet. Leasing transactions regarding tangible assets and investment properties in which the Group as the lessor does not transfer all material risks and rewards are treated as operating leases according to IAS 17.

When the Group is the lessee
Leasing transactions regarding tangible assets in which the Group as the lessee bears all material risks and rewards from the use of the leased object are treated as finance leases according to IAS 17. In such cases, the lessee recognizes the leased object as an asset in the balance sheet and the payment obligation of future lease installments is disclosed as a liability item. Treatment as a finance lease leads to a depreciation expense determined by the useful life of the leased object and to a finance expense in the income statement.

All other leasing contracts are classified as operating leases. In such cases, the leasing installments or the rental payments are distributed on a straight-line basis over the duration of the leasing contract and shown directly as an expense in the income statement.

Inventories
Inventories of work in process and finished products, as well as raw materials and supplies, are valued at their acquisition and manufacturing costs respectively in accordance with IAS 2. To the extent that acquisition and manufacturing costs of inventories are above fair value, they are written down to the lowest net realizable value at the balance sheet date. The net realizable value corresponds to the estimated realizable sales price under normal business conditions, less the estimated manufacturing and sales costs. If the net realizable value of formerly written-down inventories has increased, corresponding write-ups will be made.

In determining acquisition costs, incidental acquisition costs are added and rebates on purchase prices are deducted. Manufacturing costs include all expenses that are allocable either directly or indirectly to the manufacturing process.

Acquisition and manufacturing costs for inventories were, for the main part, determined on the basis of the FIFO method; in other words, on the assumption that those assets that were acquired first will be consumed first. The moving average cost procedure is also used to simplify valuation.

Financial instruments and hedging transactions

Non-derivative financial instruments
Non-derivative financial instruments as disclosed on the assets side of the balance sheet comprise marketable securities and receivables. Marketable securities are measured at fair value and recognized under “Available-for-sale financial instruments”. Receivables are allocated to the “loans and receivables” category. Non-current receivables are discounted at standard interest rates and recognized at amortized cost. Due to their short-term nature, trade receivables and other receivables are recognized at their nominal values less allowance for doubtful accounts based on the probable default risk. Assets are recognized in the balance sheet for the first time when a Group company becomes party to a contract. Financial assets are recognized as of the day of performance. Assets are derecognized upon transfer of ownership or expiration of contractual rights to cash flows.

The carrying amounts of assets valued at amortized cost are verified if there is any indication that the book value exceeds the fair value (impairment test). Should the book value exceed the fair value, the asset is written down.

Credit balances with financial institutions are recognized at their nominal values. The Group's non-derivative financial liabilities comprise trade payables, borrowings from banks and other financial liabilities. All non-derivative financial liabilities are initially recognized at fair value less the directly attributable transaction costs. In subsequent years, they are measured at amortized cost using the effective interest method.

Derivative financial instruments

The Wacker Neuson Group utilized standard financial instruments such as foreign exchange forward contracts, FX forwards and interest rate caps exclusively to minimize risks. These kinds of financial instruments are organized centrally and always have a corresponding underlying transaction.

Derivative financial instruments are recognized at fair value when the contract is entered into and also when the contract is subsequently reevaluated at the respective closing date.

Derivative financial instruments are allocated to the assets or liabilities held for trading and designated at fair value through profit or loss when first recognized and also in subsequent fiscal years.

Research and development

Research expenses are recognized in the consolidated income statement in the period in which they are incurred.

Development costs are capitalized, providing the criteria as set forth in IAS 38.57 ff. are fulfilled.

Trade receivables and other assets

Other non-financial assets are principally recognized at their nominal values. Allowances are recognized for the full amount for those other current assets for which there is a high probability of default.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, checks and demand deposits. They belong to the category "loans and receivables" and have maturities of three months or less. Cash and cash equivalents are converted to the nominal value in euro. In the case of liquid funds, this corresponds to the fair value.

Government subsidies

Government subsidies are only recognized if there is reasonable assurance that the relevant criteria are fulfilled and the funding will be approved. Subsidies are recognized by reducing the book value of the asset. The subsidy is then recognized as income through a reduced write-down value over the duration of the depreciable asset's useful life.

Pensions and similar obligations

Provisions for pensions and similar obligations from defined benefit plans are recognized following the Projected Unit Credit Method, taking into consideration future adjustments in remuneration payments and in pensions in compliance with the regulations as set forth in IAS 19. Reevaluations, primarily including actuarial gains and losses, are directly recognized in the balance sheet and allocated to equity via other income in the period in which they occur. Reevaluations may not be moved to the income statement in subsequent periods.

Unvested past service costs are recognized in profit or loss at the earlier of the following points in time:

- The time at which the adjustment or curtailment of the plan takes effect
- The time at which the Group recognizes any costs related to the restructuring

Net interest is determined by applying the discount rate to the balance of the defined benefit plan. The Group recognizes the following amendments to defined benefit obligations in the income statement depending on the functional scope:

- Service costs, including current service costs, unvested past service costs
- Profits and losses from plan curtailments and extraordinary plan payments
- Net tax expense or income

Pension obligations in Germany are calculated using the demographic tables for 2005 G developed by Prof. Klaus Heubeck. Pension obligations abroad are calculated using accounting principles and parameters specific to the corresponding country.

Service costs for vested rights to future pension payments result from the changes in the present value of the obligation. The interest portion of the increase in pension provisions is disclosed under financial results. Payments under defined contribution benefit plans are recognized directly as an expense.

Other provisions
Other provisions are recognized in accordance with IAS 37 when the Group has a present legal or constructive obligation as a result of a past event, which will probably result in an outflow of resources with economic benefits, and when a reliable estimate of the amount can be made. Other provisions are made for all recognizable obligations. Valuation is based on estimations of the expected settlement amount on due consideration of all business circumstances. Provisions that are only due after one year and for which the payment amounts and due dates can be reliably estimated are measured at discounted present value. Provisions for warranties are calculated on the basis of historical values, warranty lifetimes and product volumes.

Other provisions are set up for all recognizable risks as well as for all contingent liabilities in the amount of the probable occurrence.

Deferred tax expense
Deferred and current tax is calculated in line with IAS 12.

Deferred tax assets and liabilities are recognized for temporary differences between carrying amounts and corresponding tax bases, for consolidation transactions recognized in the income statement and for tax loss carry-forwards.

Deferred tax assets on tax loss carry-forwards are only recognized if the associated reductions in tax are also likely to arise in the next five years (maximum) and if they will be applicable in subsequent periods. Deferred tax was recognized for loss carry-forwards in the year under review.

Deferred tax is calculated at the tax rate applicable to the company in question that is valid or approved at the balance sheet date and which will then be valid when the reversal effects will probably take effect.

Changes to deferred tax in the balance sheet result in deferred tax expense or income. If any movements that necessitate a change in deferred tax are charged directly to equity, the resulting change to deferred tax is also recognized directly in equity.

Material discretionary decisions, estimates and assumptions

In preparing the Consolidated Financial Statements, it has been necessary to make estimates and assumptions which may influence the carrying amounts of assets and liabilities, income and expenses as well as contingent liabilities as recognized on the balance sheet. The following significant estimates and assumptions, together with the uncertainties associated with the accounting and valuation methods applied, are crucial in understanding the underlying risks of the financial report and the impact these estimates, assumptions and uncertainties could have on the Consolidated Financial Statements:

The value of goodwill and assets with an unlimited useful life (at least one impairment test per year)
The Group carries out an impairment test on goodwill, intangible assets of unlimited useful life and capitalized development costs once a year or more often if there is indication that an asset has been impaired. This involves making estimates regarding the forecast and discounting of future cash flows. In fiscal 2016, no reasons were identified that would indicate impairment. For more information on calculating impairment, the assumptions indicating impairment and the sensitivity of these assumptions, please refer to item 10 “Intangible assets” in these Notes.

Indications for tangible and intangible asset and development costs impairment (specific to events or circumstances)
At each closing date, the Group determines whether there are any grounds to assume that the book value of a tangible asset or an item under other intangible assets has been impaired. In fiscal 2016, the Group identified grounds for a significant impairment of intangible assets. Refer to item 10 “Intangible assets” in these Notes for more detailed information.

Taxes on income and earnings

At each closing date, the Group determines whether the probability of future tax benefits is sufficient to justify deferred tax assets. The recognized deferred tax assets may be lower if the estimates regarding scheduled taxable income and the tax benefits realizable through available tax strategies are lowered, or should changes to current tax legislation restrict the timeframe or feasibility of future tax benefits. Refer to item 6 “Taxes on income” in these Notes for more detailed information.

Employee benefits

Pensions and similar obligations are calculated in accordance with actuarial valuations. These valuations are based on a number of factors including statistical values in order to anticipate future events. These factors include actuarial assumptions such as the discount rate, expected salary increases and mortality rates. These actuarial assumptions can deviate considerably from the actual obligations as a result of changed market and economic conditions, resulting in a change in the associated future commitment.

For more detailed information on this and issues relating to sensitivity, please refer to item 17 “Provisions for pensions and similar obligations” in these Notes.

Legal risks

Legal risks result from legal action against Wacker Neuson SE or individual Group members. The outcome of these disputes could have a substantial impact on Group assets, financials and earnings. Company management regularly analyses the current information available about these cases and builds provisions to cover probable obligations. Assessments are performed by internal and external experts and lawyers. When reaching a decision on the need to recognize provisions, company management takes sufficient account of the probability of an unfavorable outcome and takes due care to estimate the amount of the obligation sufficiently reliably. For more information, please refer to item 24, “Other financial liabilities” in these Notes.

Explanatory comments on the income statement

1 – Revenue

With respect to the presentation and composition of revenue by geographic regions and by business segments, please refer to the section on segment reporting.

2 – Other income

IN € K	2016	2015
Proceeds from sale of property, plant and equipment	2,168	2,707
Currency gains	16,746	17,886
Rental income on investment properties	2,265	1,534
Carry-forwards	951	995
Recovery of receivables written off	171	244
Insurance reimbursements	377	294
Gains on foreign-exchange forward contracts	0	27
Income from the sale of scrap	612	890
Offsetting of non-cash benefits	1,371	1,156
Other income	2,820	2,266
Total	**27,481**	**27,999**

3 – Personnel expenses

Personnel expenses comprise the following:

IN € K	2016	2015
Wages and salaries	242,103	231,880
Social security contributions	55,033	51,208
Expenses for pensions	7,058	5,689
Total	**304,194**	**288,777**

The expenses for pensions include the expense for pension benefits without the interest portion of the additions to provisions for pensions, which is recognized under financial results.

The expenses for wages and salaries include redundancy payments to the following extent:

IN € K	2016	2015
Redundancy payments	2,733	2,058

EUR K 534 (previous year: EUR K 530) of which was accrued to provisions for redundancy payments required by law for the sites in Austria.

The increase relative to the previous year stems from a defined social compensation plan negotiated between management and the works' council around relocation of a plant to Reichertshofen.

The average number of employees broken down according to fields of activity is as follows for the period under review:

	2016	2015
Production	1,903	1,806
Sales and service	1,901	1,910
Research and development	383	374
Administration	531	504
Total	**4,718**	**4,594**

4 – Other expenses

IN € K	2016	2015
Exchange losses	16,104	15,895
Losses on the disposal of property, plant and equipment	1,930	1,384
Other expenses	725	281
Total	**18,759**	**17,560**

5 – Financial result

a) Financial income

IN € K	2016	2015
Interest and similar income	1,447	1,736
Income on disposals of financial assets	40	45
Unrealized gains	83	1
Total	**1,570**	**1,782**

b) Financial expense

IN € K	2016	2015
Interest and similar expense	-8,225	-7,907
Expenses on disposals of financial assets	-25	0
Unrealized losses	-21	-5
Total	**-8,271**	**-7,912**

Interest and similar income was netted against interest payments and similar expenses in the amount of EUR K 1,249 (previous year: EUR K 860) during the period under review. For further information, refer to item 15, cash and cash equivalents, in these notes.

6 – Taxes on income

Expense for taxes on income comprises the following:

IN € K	2016	2015
Current tax expense	25,800	36,373
Deferred tax expense	-1,631	-5,518
Total	**24,169**	**30,855**

Actual taxes included adjustments in the amount of EUR K 478 (previous year: EUR K 653) which represent expense for previous fiscal years.

Reconciliation of calculated tax to actual tax expense:

IN € K	2016	2015
EBT	81,413	97,517
Tax at the applicable rate: 29.37% (previous year: 28.67%)	23,911	27,958
Variance in Group tax rates	-9,210	-1,909
Taxes from or for prior periods	479	1,689
Tax effects of non-deductible expenses and tax-exempt income	6,924	2,492
Tax rate changes	623	-466
Other	1,442	1,091
Total	**24,169**	**30,855**

Taxes on income are calculated by applying the Group's uniform tax rate of 29.37 percent (previous year: 28.67 percent) to the profit before tax. The increase in the Group's uniform tax rate was due to changes in the average trade tax.

Significantly less tax-exempt income was offset against tax effects of non-deductible expenses this year. These result from lower dividend pay-outs within the Group. The expenses increased overall as a result.

The tax assessment for the current year is based on a corporate income tax rate of 15.83 percent, which includes a solidarity surcharge of 5.5 percent. Trade tax is set at a uniform 3.5 percent.

Deferred tax assets and liabilities are allocated to the following balance sheet items:

IN € K

	2016 Deferred tax assets	2016 Deferred tax liabilities	2015 Deferred tax assets	2015 Deferred tax liabilities
Recognition and valuation differences: intangible assets	0	31,203	0	31,016
Valuation differences: tangible assets	13,304	16,138	15,389	15,792
Valuation differences: inventories	22,504	523	20,153	624
Valuation differences: receivables	1,036	0	651	0
Valuation differences: provisions for pensions	7,746	-2,077	7,181	0
Valuation differences: liabilities	3,444	0	782	0
Loss carry-forwards	5,140	0	4,107	0
Other	2,857	1,922	5,658	900
Total	**56,031**	**47,709**	**53,921**	**48,332**
Net	**-16,906**	**-16,906**	**-14,795**	**-14,795**
Balance sheet item	**39,125**	**30,803**	**39,126**	**33,537**

Deferred tax recognized in the consolidated balance sheet arises from deferred tax recognized in the balance sheets of individual Group companies. Deferred tax assets and liabilities were netted at the level of the individual company as appropriate.

Inventories includes deferred taxes resulting from the evaluation of inventories at Group cost of goods manufactured.

Unused tax loss carry-forwards for which no deferred tax receivable was recognized in the balance sheet amount to EUR K 16,693 (previous year: EUR K 21,607).

With respect to deferred tax assets, EUR K 5,583 (previous year: EUR K 4,113) are allocable to individual companies which incurred losses in the current or prior reporting period. The reason for the capitalization lies in the improved earnings situation in the years following. The deferred tax expense as a result of a drop in deferred tax receivables amounts to EUR K 929 (previous year: EUR K 230).

Deferred taxes from pension obligations in the amount of EUR K 7,496 (previous year: EUR K 5,757) were recognized directly in equity. All other deferred tax was recognized in the income statement.

Deferred taxes on undistributed profits of affiliates were recognized only if distribution is planned. The amount available for distribution is EUR K 190,305 (previous year: EUR K 196,582).

7 – Earnings per share

	2016	2015
Earnings of the current year attributable to shareholders in € K	56,830	66,161
Weighted average number of shares outstanding during current period	70,140	70,140
Undiluted earnings per share in €	**0.81**	**0.94**
Diluted earnings per share in €	**0.81**	**0.94**

According to IAS 33, earnings per share are calculated by dividing the total profit/loss for the year attributable to Wacker Neuson SE shareholders by the weighted average number of shares issued.

Explanatory comments on the balance sheet

8 – Property, plant and equipment

IN € K

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/ Assets under construction	Total
Acquisition costs					
Balance at January 1, 2016	336,705	295,242	93,090	6,970	732,007
Exchange rate differences	2,007	2,159	608	-148	4,626
Change in consolidation structure	0	0	-148	0	-148
Additions	8,879	64,035	9,788	8,022	90,724
Disposals	-1,914	-52,052	-7,173	0	-61,223
Transfers	-3,156	2,485	-1,016	-7,178	-8,865
Balance at December 31, 2016	**342,521**	**311,869**	**95,149**	**7,666**	**757,121**
Accumulated depreciation					
Balance at January 1, 2016	93,977	153,220	65,484	0	312,681
Exchange rate differences	713	1,669	321	0	2,703
Change in consolidation structure	0	0	-148	0	-148
Additions	7,725	38,689	8,126	0	54,540
Disposals	-1,101	-31,575	-6,262	0	-38,938
Transfers	-1,477	918	-921	0	-1,480
Balance at December 31, 2016	**99,837**	**162,921**	**66,600**	**0**	**329,358**
Book value at December 31, 2015	**242,728**	**142,022**	**27,606**	**6,970**	**419,326**
Book value at December 31, 2016	**242,684**	**148,948**	**28,549**	**7,666**	**427,763**
Useful life in years	16–50	1–10	1–15		

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/ Assets under construction	Total
Acquisition costs					
Balance at January 1, 2015	310,843	264,851	89,029	8,087	672,810
Exchange rate differences	3,923	10,782	1,418	-106	16,017
Change in consolidation structure	144	0	310	0	454
Additions	19,662	65,356	9,853	5,788	100,659
Disposals	-2,650	-47,468	-7,607	0	-57,725
Transfers	4,783	1,721	87	-6,799	-208
Balance at December 31, 2015	**336,705**	**295,242**	**93,090**	**6,970**	**732,007**
Accumulated depreciation					
Balance at January 1, 2015	85,581	135,966	62,356	0	283,903
Exchange rate differences	1,778	6,344	1,050	0	9,172
Change in consolidation structure	8	0	26	0	34
Additions	7,819	38,370	8,645	0	54,834
Disposals	-1,209	-27,460	-6,593	0	-35,262
Transfers	0	0	0	0	0
Balance at December 31, 2015	**93,977**	**153,220**	**65,484**	**0**	**312,681**
Book value at December 31, 2014	**225,262**	**128,885**	**26,673**	**8,087**	**388,907**
Book value at December 31, 2015	**242,728**	**142,022**	**27,606**	**6,970**	**419,326**
Useful life in years	16–50	1–10	1–15		

Land is considered to have an indefinite useful life. Amounts recognized for land and buildings as well as for office and other equipment include the book values of finance lease contracts. For further information on this, please refer to item 24 “Other financial liabilities” in these Notes.

Total write-downs and impairment on property, plant and equipment, investment property and intangible assets reported in the Group income statement amounted to EUR K 69,295 (previous year: EUR K 67,672). EUR K 50,414 of this is attributable to manufacturing costs (previous year: EUR K 48,670), EUR K 5,909 to selling expenses (previous year: EUR K 6,244), EUR K 1,811 to research and development costs (previous year: EUR K 1,878) and EUR K 11,161 to general administrative costs (previous year: EUR K 10,880).

A lien at the book value of EUR K 0 (previous year: EUR K 9,451) is included in land and buildings, with the equivalent value of the open credit amounting to EUR K 0 (previous year: EUR K 1,667).

Machinery and equipment includes rental equipment. At December 31, 2016, the equipment had a book value of EUR K 106,373 (previous year: EUR K 96,711) and is depreciated on a straight-line basis over a period of between two and seven years. At the start of the fiscal year, the Group recognized acquisition costs in the amount of EUR K 152,025 (previous year: EUR K 134,584) and accumulated depreciation of EUR K 55,314 (previous year: EUR K 50,553). Additions in the amount of EUR K 58,368 (previous year: EUR K 58,410) were recognized in acquisition costs during the course of the fiscal year. Ordinary depreciation for fiscal 2016 amounted to EUR K 28,620 (previous year: EUR K 28,844). Disposals in the amount of EUR K 47,801 (previous year: EUR K 45,828) were recognized in acquisition costs, and in the amount of EUR K 27,640 (previous year: EUR K 26,037) in accumulated depreciation. Exchange rate differences in the amount of EUR K 133 (previous year: EUR K 4,859) and EUR K 58 (previous year: EUR K 1,954) were recorded for acquisition costs and accumulated depreciation respectively. This resulted in acquisition costs of EUR K 162,725 (previous year: EUR K 152,025) and accumulated depreciation in the amount of EUR K 56,352 (previous year: EUR K 55,314) at December 31, 2016.

9 – Investment properties

The table below shows the development of investment properties held during the years 2015 and 2016:

IN € K

	2016	2015
Acquisition costs		
Balance at January 1	29,683	29,550
Exchange rate differences	-389	158
Additions	0	0
Disposals	-333	0
Transfers	7,944	-25
Balance at December 31	**36,905**	**29,683**
Accumulated depreciation		
Balance at January 1	12,068	11,552
Exchange rate differences	-18	3
Additions	451	513
Disposals	-227	0
Transfers	1,480	0
Balance at December 31	**13,754**	**12,068**
Book value on January 1	**17,615**	**17,998**
Book value on December 31	**23,151**	**17,615**

The transfers relate to real estate in Munich and Gotha. These were previously held as property, plant and equipment but are now rented to third parties.

PROPERTY

	Book value in € K	Fair value in € K	Calculation method	Depreciation method	Useful life
Germany	20,823	33,065			
Dortmund	99	170	Discounted cash flow	Linear	33 years
Gotha	1,139	1,500	Purchase option	Linear	50 years
Munich	5,034	8,165	Discounted cash flow	Linear	50 years
Gutmadingen	538	5,250	Survey/German income approach	Linear	33 years
Überlingen	14,013	17,980	Survey/German income approach	Linear	25–50 years
UK	2,196	2,616	Estate agent pricing	Linear	50 years
Spain	132	132	Survey/German income approach	Linear	50 years
Total	**23,151**	**35,813**			

The profit derived from investment properties is shown in the table below:

IN € K

	2016	2015
Rental income	2,265	1,534
Depreciation and amortization	-451	-513
Other expenses	-207	-220
Total	**1,607**	**801**

Depreciation and amortization is allocated to the European segment.

Investment properties include the land and buildings listed below, which have all been rented to third parties or are intended to be rented to third parties. The reported depreciation methods and useful lives only affect the buildings listed.

The evaluation methods applied are listed in the table above. The fair value (measurement of fair value at hierarchy level 2) of the property in the UK was determined by comparing against local market pricing, which involved asking local real estate agents about the square meter pricing of properties comparable in terms of location, transport infrastructure and amenities/substance. The fair value (measurement of fair value at hierarchy level 2) of the property in Gotha, Germany, was determined on the basis of a purchase option agreed with the tenant.

The key, non-observable input parameters used to evaluate investment properties are as follows (measurement of fair value at hierarchy level 3):

The fair values of properties were determined in some cases by surveyors using the German income approach and discounted cash flow methods. These evaluations are based on standard land values, standard market rents, estimated running costs and estimated residual useful lives.

10 – Intangible assets

a) Goodwill

Goodwill developed as follows:

IN € K

	2016	2015
As at January 1	238,282	237,290
Foreign currency fluctuations	315	992
As at December 31	**238,597**	**238,282**

b) Other intangible assets

→ See fig. page 142

The expected residual useful lives and residual book values of other intangible assets are as follows:

IN € K

	Book value on Dec. 31, 2016	Book value on Dec. 31, 2015	Useful life
Brands	64,838	64,838	indefinite
Customer base	326	878	2–8 years
Software development	7,970	6,460	1–8 years
Total	**73,134**	**72,176**	

Other intangible assets include EUR K 22,000 for the brand name “Weidemann” resulting from the acquisition of Weidemann GmbH in 2005. Due to the strong market position of Weidemann GmbH, the brand name and trademark are considered to have an indefinite useful life.

EUR K 42,838 was recognized for the brand name in connection with the merger with the Neuson Kramer Group. This is also considered to have an indefinite useful life due to the company’s strong market position. Wacker Neuson SE does not own the Neuson logo. This is owned by the PIN Trust (PIN Stiftung), which is part of the group founded by the Chairman of the Supervisory Board, Johann Neunteufel. Subject to certain guidelines, however, the company has an exclusive, irrevocable and unlimited license to use this brand in conjunction with the name “Wacker”.

Intangible assets created internally refer to capitalized development costs. Software developments also refer to capitalized costs for software.

In fiscal 2016, an impairment test on intangible assets created internally prompted by a change in market conditions indicated grounds for an impairment in the amount of EUR K 1,378. The impairment was recognized in the income statement under cost of sales and was allocated to the Europe segment.

The intangible assets in progress relate primarily to development costs for projects not yet completed at the closing date.

OTHER INTANGIBLE ASSETS

IN € K

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2016	**33,040**	**80,316**	**60,135**	**2,499**	**175,990**
Exchange rate differences	262	190	750	-3	1,199
Additions	1,757	3,058	11,397	14	16,226
Disposals	-4,512	-1,038	-6,314	-247	-12,111
Transfers	-920	1,017	2,132	-1,308	921
Balance at December 31, 2016	**29,627**	**83,543**	**68,100**	**955**	**182,225**
Accumulated depreciation					
Balance at January 1, 2016	22,247	8,140	21,890	0	52,277
Exchange rate differences	181	194	286	0	661
Additions	3,442	1,875	7,609	0	12,926
Disposals	-4,181	-273	-5,496	0	-9,950
Transfers	-473	473	0	0	0
Impairment	0	0	1,378	0	1,378
Balance at December 31, 2016	**21,216**	**10,409**	**25,667**	**0**	**57,292**
Book value at December 31, 2015	**10,793**	**72,176**	**38,245**	**2,499**	**123,713**
Book value at December 31, 2016	**8,411**	**73,134**	**42,433**	**955**	**124,933**
Useful life in years	3–8	1–8	5–6		

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2015 (adjusted)	30,090	76,891	47,618	2,894	157,493
Exchange rate differences	1,341	598	1,767	84	3,790
Additions	2,310	4,185	11,031	210	17,736
Disposals	-701	-1,591	-281	-689	-3,262
Transfers	0	233	0	0	233
Balance at December 31, 2015 (adjusted)	**33,040**	**80,316**	**60,135**	**2,499**	**175,990**
Accumulated depreciation					
Balance at January 1, 2015 (adjusted)	18,172	7,981	14,245	0	40,398
Exchange rate differences	885	486	457	0	1,828
Additions	3,616	1,247	6,699	0	11,562
Disposals	-409	-1,591	-274	0	-2,274
Transfers	-17	17	0	0	0
Impairment	0	0	763	0	763
Balance at December 31, 2015 (adjusted)	**22,247**	**8,140**	**21,890**	**0**	**52,277**
Book value at December 31, 2014	**11,918**	**68,910**	**33,373**	**2,894**	**117,095**
Book value at December 31, 2015	**10,793**	**72,176**	**38,245**	**2,499**	**123,713**
Useful life in years	3–8	1–8	5–6		

c) Impairment of goodwill and intangible assets with an unlimited useful life

The goodwill and indefinite-lived Weidemann and Neuson brands obtained through mergers are allocated for impairment testing to the following cash-generating units within the Americas or Europe segments:

- Weidemann GmbH (Germany)
- Wacker Neuson Production Americas LLC (subgroup/USA)
- Wacker Neuson Beteiligungs GmbH (subgroup/Austria)

The pro-rata book values break down as follows:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Wacker Neuson Production Americas LLC (subgroup/USA)		
Book value of goodwill	9,919	9,604
Weidemann GmbH		
Book value of goodwill	24,232	24,232
Book value of the indefinite-lived brand	22,000	22,000
Wacker Neuson Beteiligungs GmbH (subgroup/Austria)		
Book value of goodwill	204,446	204,446
Book value of the indefinite-lived brand	42,838	42,838
Book value of goodwill	**238,597**	**238,282**
Book value of the indefinite-lived brand	**64,838**	**64,838**

With the exception of the year when they were first recognized in the balance sheet, the carrying amounts of goodwill and indefinite-lived brands are verified during the annual impairment test or subjected to an additional impairment test if there are indications of asset impairment. For this purpose, the book value is compared with the "fair value less cost to sell". The "fair value less cost to sell" is determined using the discounted cash flow method (measurement of fair value at hierarchy level 3). Future cash flows are discounted to the respective balance sheet date. Value is impaired if "fair value less cost to sell" is lower than the book value. No indications of value impairments have been identified in the current fiscal year.

The calculation of "fair value less cost to sell" is based on assumptions, which in turn are dependent on the following uncertain estimates:

- Free cash flow
- Discount rates
- Price increases for raw materials and supplies
- Underlying growth rates for cash-flow predictions outside of the budget period

Free cash flow: Free cash flow is calculated based on a detailed planning phase from 2016 to 2023. Growth rates are determined for the first three budget years (up to 2018) based on market conditions. Adjustments were made based on distribution plans. When performing the goodwill impairment test, it is assumed that the entire distributable cash flow is paid out each fiscal year. Distributable cash flow refers to free cash flow after interest payments, tax effects from borrowings and changes in borrowings. Care is taken to ensure that the cash flow distribution does not reduce the share capital. For the period from 2019 to 2023, management anticipates results and growth rates that align with past values. Various scenarios with annual EBIT growth of between 5 and 10 percent from 2019 to 2023 were created for the three cash-generating units Weidemann GmbH, Wacker Neuson Production Americas LLC (subgroup/USA) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria). A negative scenario with EBIT growth of just 2 percent as of 2019 was also calculated for the three cash-generating units. In addition to EBIT growth, upper EBIT limits were also defined as restricting criteria for the cash-generating units. None of the scenarios resulted in impairment.

Discount rates: These reflect the management's assessment of the risks associated with cash-generating units. It includes a risk-free and risk-weighted rate. A weighted average cost of capital (WACC) after tax at a uniform rate of 7.61 percent (previous year: 8.28 percent) was applied.

Price increases of raw materials: Actual past price fluctuations are used as indicators for estimating future price developments.

Growth rate estimates: Management and affiliates estimate growth rates based on local market dynamics. A growth rate of 2 percent has been projected for perpetual annuity (previous year: 2 percent).

Sensitivity of assumptions: These calculations did not reveal a need to recognize impairment for any of the cash-generating units even if no growth rate had been applied in perpetual annuity or if WACC had been set 1 percent higher.

11 – Other non-current assets

Other non-current assets comprise the following components:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Non-current trade receivables	20,932	7,349
Investment securities	1,637	1,566
Loans	44	14
Misc. other non-current financial assets	1,930	1,855
Other non-current financial assets	**24,543**	**10,784**
Other non-current non-financial assets	**1,192**	**1,902**
Total	**25,735**	**12,686**

Non-current trade receivables largely resulted from sales promotion activities in the US. They are responsible for the increase relative to the previous year. Delivered products are subject to retention of title.

12 – Inventories

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Raw materials and supplies	86,410	97,148
Works in progress	13,511	20,727
Finished goods	343,195	356,685
Total	**443,116**	**474,560**

The reduction in inventory was the result of targeted working capital management.

An expense of EUR K 924,875 (previous year: EUR K 930,331) was recorded under acquisition and manufacturing costs for inventories for the fiscal year.

Raw materials and supplies, work in process and finished products were valued at their acquisition or manufacturing cost or at the lowest net realizable value. The associated value adjustments changed by EUR K 102 compared with the previous year (previous year: EUR K 3,538).

Similar to 2015, no inventories were pledged as collateral for liabilities during the period under review.

13 – Trade receivables

Trade receivables have the following components:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Trade receivables at nominal value	222,779	189,982
Less allowance for doubtful accounts	-9,018	-9,947
Total	**213,761**	**180,035**

The increase in receivables is attributable to longer payment periods extended to customers.

At December 31, 2016, trade receivables in the amount of EUR K 105,826 (previous year: EUR K 86,110) were neither overdue nor written down.

Trade receivables in the amount of EUR K 89,279 (previous year: EUR K 83,638) were written down. The write-down amounted to EUR K 9,018 at the closing date (previous year: EUR K 9,947). The fact that write-downs decreased while receivables increased is attributable to the derecognition of receivables for which the company had learnt that the customer in question had become insolvent. The write-downs on this receivable were no longer recognized.

As of December 31, 2016, trade receivables that were overdue but not written down could be broken down as follows:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Overdue but not written down <30 days	7,059	5,851
Overdue but not written down 30 – 90 days	6,390	3,022
Overdue but not written down >90 days	5,206	1,414
Total	**18,655**	**10,287**

The increase in outstanding receivables over 90 days past due but not written down is attributable to short-term customer overdrafts outside of our core markets.

Allowances for doubtful accounts developed as follows:

IN € K

	2016	2015
As at January 1	9,947	8,592
Exchange rate differences	-25	-65
Additions	1,633	3,241
Amount used for write-offs	-1,944	-1,405
Reversals	-593	-416
Balance at December 31	**9,018**	**9,947**

The Group views the concentration of risk with regard to trade receivables as low since a large number of its customers are distributed across different countries, specialize in different industries and operate on largely unconnected markets. Regular credit checks verify the financial standing of customers. Allowances for doubtful accounts are made where necessary.

The fair value is a reasonable approximation of the book value since all receivables are due within less than one year.

14 – Other current assets

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Receivables from customers	411	608
Interest receivables	22	37
Misc. other current financial assets	2,068	2,118
Other current financial assets	**2,501**	**2,763**
Sales tax	6,923	6,891
Advance payments	6,779	6,389
Advances to employees	193	221
Misc. other current non-financial assets	674	950
Other current non-financial assets	**14,569**	**14,451**
Total	**17,070**	**17,214**

The fair value of remaining current financial assets is a reasonable approximation of the book value since all items have a maturity of less than one year.

15 – Cash and cash equivalents

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Petty cash	15,345	22,102
Bank balances	2,099	2,787
Cash deposits	128	130
Total	**17,572**	**25,019**

Daily cash balances held with banks bear interest at variable interest rates. Depending on the company's liquidity requirements, surplus cash and cash equivalents are set up as short-term term accounts running from one day to three months. The term accounts yielded interest at the agreed prevailing rates.

Positive bank balances in the amount of EUR K 113,614 (including cash pool current account balances) (previous year: EUR K 89,496) were netted against cash pool current account liabilities amounting to EUR K 98,269 (previous year: EUR K 67,394), as a netting (offset) option was agreed with the cash pool bank. Current account balances at December 31, 2016, after netting, amounted to EUR K 15,345 (previous year: EUR K 22,102).

16 – Equity

As in the previous year, subscribed capital amounted to EUR K 70,140 and is divided into 70,140,000 individual no-par-value registered shares, each representing a proportionate amount of the share capital of EUR 1.00. The share capital was fully paid in at the closing date of the Consolidated Financial Statements.

Other reserves are as follows:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Capital reserves	618,661	618,661
Exchange rate differences	12,151	6,551
Other changes without effect	-18,420	-14,152
Total	**612,392**	**611,060**

The capital reserves primarily result from share premiums in connection with the IPO and the merger with Wacker Neuson Beteiligungs GmbH (formerly Neuson Kramer Baumaschinen AG).

The reserve for exchange differences includes gains and losses from translating the annual financial statements of consolidated affiliates that are prepared in foreign currencies according to the concept of the functional currency and that have no impact on the financial result. The large change relative to the previous year is mainly due to the movement of the USD rate.
→ See page 134

Other neutral changes include reserves for the recognition of gains and losses from reevaluations of pensions and similar obligations, primarily actuarial gains and losses.

The company did not hold any treasury shares at December 31, 2016, nor at any point during the 2016 fiscal year or the previous year.

In 2016, the Group paid out EUR K 35,070 in dividends (EUR 0.50 per share). In 2015, the Group paid out EUR K 35,070 in dividends (EUR 0.50 per share). In 2017, the dividend payout proposal for fiscal 2016 amounts to EUR K 35,070 (EUR 0.50 per share). Proposed dividend payouts for no-par-value shares that require AGM approval were not recognized as a liability at December 31. Refer to the statement of changes in equity for further details on equity.

Authorized Capital 2012

On May 22, 2012 at the AGM, the Executive Board was authorized to increase the company's share capital by May 21, 2017, subject to the approval of the Supervisory Board, by issuing up to 17,535,000 new, registered shares against cash contributions and/or contributions in kind, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000.00 (Authorized Capital 2012).

Treasury shares

In a further resolution passed at the AGM on May 22, 2012, the Executive Board is authorized, subject to the prior approval of the Supervisory Board, to acquire 7,014,000 treasury shares via the stock exchange by May 21, 2017. This acquisition may also be performed by one of the Group members on or for its or their account by third parties. In so doing, the shares acquired as a result of this authorization together with other shares in the company that it has already acquired and still holds must not at any time total more than ten percent of the existing share capital. Shares must not be purchased for the purpose of trading company shares on the stock exchange.

Rights, preferential rights or restrictions on shares

There are pool agreements between some shareholders and companies of the Wacker family on the one hand, and companies and shareholders of the Neunteufel family on the other, which essentially regulate the exercise of voting and petition rights at the AGM and restrict the transfer of shares. A pool agreement also exists between a shareholder of the Neunteufel family and Mr. Martin Lehner that permits the Neunteufel family shareholder to exercise the voting rights attributable to Mr. Martin Lehner's shares. For detailed information, please refer to the Management Report "Restrictions affecting voting rights or the transfer of shares".

17 – Provisions for pensions and similar obligations

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Provisions for pension obligations	49,567	43,580
Provisions for other obligations to employees	30	38
Total	**49,597**	**43,618**

Within the Group, there are different types of retirement benefit schemes worldwide for old age and surviving dependents' pensions. Most of the schemes provide for the payment of fixed lump-sum amounts. The others are defined retirement plans with a pension paid from retirement until death. The amounts to be paid are based on the respective employee's ranking (both with respect to salary as well as hierarchy) as well as their years of service to the company.

At the parent company, pension commitments due to enter into effect as of retirement age also exist vis-à-vis Executive Board members as well as former executives and Executive Board members.

For the remaining domestic and foreign companies, the schemes partly provide for a lump-sum payment which is based on the salary at retirement age multiplied by a factor based on years of service with the company, and partly for pension payments from retirement until death based on earnings for employees who fulfill the time-of-service requirements, which differ from country to country.

The defined benefit plans are partly financed by liability insurance. There are also pension commitments that are not financed by liability insurance or funds, where the Group pledges to make future payments when the pension payouts are due. This primarily refers to pension commitments governed by the legal framework of individual countries (adjustments to pensions, for example).

Foreign affiliates also have defined contribution plans. In such cases, the individual company makes contributions to the respective pension insurance schemes either because of legal requirements or contracted agreements. There is no further obligation for the company beyond these payments. The periodic contributions are recognized as an expense under profit before interest and tax (EBIT) in the respective year.

The actuarial valuation is essentially based on the following assumptions:

		2016	2015
Actuarial assumptions[1]			
Discount rate	as a %	1.73	2.52
Salary trends	as a %	0.59	0.17
Pension trends	as a %	1.80	1.82
Retirement age	in years	64	64

[1] Weighted average of the individual benefit schemes.

Pension obligations are distributed as follows:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Fair value of pension obligations, funded	31,290	24,463
Fair value of plan assets	-10,717	-9,372
Shortfall in pension obligations, funded	**20,573**	**15,091**
Fair value of pension obligations, not funded	29,024	28,527
Shortfall in all pension obligations	**49,597**	**43,618**
Pension obligations	**49,597**	**43,618**

The changes in the present value of pension obligations and of plan assets are as follows:

IN € K

	2016	2015
Changes in the present value of pension obligations		
Balance at January 1	52,990	54,692
Current service costs	1,848	936
Interest expense	1,290	1,109
New valuations:		
Actuarial gains/losses		
- from changes to demographic assumptions	-30	154
- from changes to financial assumptions	5,821	-1,904
Experience adjustments	174	-259
Changes in exchange rate	-4	426
Paid benefits	-2,005	-2,164
Past service cost	230	0
Balance at December 31	**60,314**	**52,990**

IN € K

	2016	2015
Changes in fair value of plan assets		
Balance at January 1	9,372	9,419
Interest income	227	200
Changes in exchange rate	-14	8
New valuations:		
Experience adjustments	-42	-149
Employer's contributions	1,318	33
Payouts	-144	-139
Balance at December 31	**10,717**	**9,372**

Plan assets include pension liability insurance for German life insurance schemes where future payments are pledged in favor of the entitled recipient. Pension liability insurance schemes are not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR K 10,717 (previous year: EUR K 9,372).

The average term of a defined benefit obligation was 16.8 years at the close of the reporting period (previous year: 15.2 years).

The investment strategy for plan assets is designed to achieve a sufficient return on investment in connection with contributions with a view to managing the financing risk from pension obligations appropriately. The actual contributions may differ from the investment strategy as a result of changing economic conditions.

Pension expenses are as follows:

IN € K

	2016	2015
Current service costs	1,848	936
Interest expense for pension obligations	1,290	1,109
Net interest	-227	-200
Past service cost	230	0
Total pension expense from defined benefit schemes	**3,141**	**1,845**
Total pension expense from defined contribution schemes	**770**	**779**
Total contributions to statutory pension insurance schemes	**16,951**	**16,079**
Total pension expense	**20,862**	**18,703**

Interest expense ensuing from pension obligations is recognized in the financial result. The remaining pension expense is part of personnel costs shown in the appropriate functional line of the income statement.

The valuation date for the current value of plan assets and the present value of obligations is December 31 for each year. The base value for the calculation of unaccrued interest concerning pension obligations is the present value of obligations as of January 1. The base value for the anticipated return on plan assets is the current value as per January 1. Transfers during the year are accounted for on a pro-rata basis.

The contributions expected to be made to German plan assets in 2017 amount to EUR K 1,309 (previous year: EUR K 1,402).

The following overview shows the projected pension pay-outs for the next five years:

IN € K

Due in 2016	2,256
Due in 2017	2,173
Due in 2018	2,194
Due in 2019	2,247
Due in 2020	2,178

The following overview shows the sensitivity of key actuarial assumptions:

IN € K

	as a %	Sensitivity	Increase in valuation parameters	Decrease in valuation parameters
Discount rate	1.73	+/- 1.00 %	-9,047	11,681
Salary trends	0.59	+/- 0.50 %	185	-130
Pension trends	1.80	+/- 0.50 %	4,466	-4,016

The sensitivity analysis shows how the present value of pension obligations would develop if the individual actuarial assumptions changed. The sensitivity is only determined following the projected unit credit method. This involves determining and displaying the impact of a change to individual actuarial assumptions, while all other assumptions remain unchanged.

The following risks arise for the Group from pension commitments:

- A reduction in the discount rate results in a rise in pension obligations.
- An increase in life expectancy results in a rise in pension obligations.

The following table shows the effects of a one percentage point increase or reduction in healthcare costs:

IN € K

	Additions	Reversals
2016		
Effect on the present value of pension obligations	307	-251
2015		
Effect on the present value of pension obligations	277	-226

The present value of obligations as well as pension pay-outs and reevaluations are distributed as follows across pension obligations and healthcare contributions:

IN € K

	2016	2015
Provisions for pensions recorded in the balance sheet		
Pension obligations	48,001	41,933
Healthcare	1,596	1,685
Total	**49,597**	**43,618**
Pension expenses listed under EBIT		
Pension obligations	1,836	921
Healthcare	12	15
Total	**1,848**	**936**
New valuations		
Pension obligations	6,137	-1,817
Healthcare	-130	-43
Total	**6,007**	**-1,860**

18 – Other provisions

The provisions are as follows:

IN € K

	Balance Jan. 1, 2016	Currency	Utilization	Additions	Reversals	Balance Dec. 31, 2016
Provisions						
Warranties	10,332	77	-2,299	4,331	-655	11,786
Obligations towards employees	6,245	30	-2,168	3,158	-288	6,977
Professional fees	224	3	-135	261	-74	279
Litigation costs	212	0	-48	289	-60	393
Other provisions	659	32	-501	843	-127	906
Total	**17,672**	**142**	**-5,151**	**8,882**	**-1,204**	**20,341**

	Balance Jan. 1, 2015	Currency	Utilization	Additions	Reversals	Balance Dec. 31, 2015
Provisions						
Warranties	9,597	103	-3,112	4,092	-348	10,332
Obligations towards employees	5,590	-30	-1,317	2,190	-188	6,245
Professional fees	238	-3	-196	205	-20	224
Litigation costs	195	3	-96	110	0	212
Other provisions	1,292	83	-1,292	659	-83	659
Total	**16,912**	**156**	**-6,013**	**7,256**	**-639**	**17,672**

In 2016, a discount of EUR K 294 (previous year: EUR K 117) was recognized for provisions.

The due dates of the above provisions are distributed as follows:

IN € K

	Short-term (< 1 year)	Long-term (> 1 year)	Balance Dec. 31, 2016
Provisions			
Warranties	10,842	944	11,786
Obligations towards employees	3,319	3,658	6,977
Professional fees	279	0	279
Litigation costs	374	19	393
Other provisions	881	25	906
Total	**15,695**	**4,646**	**20,341**

	Short-term (< 1 year)	Long-term (> 1 year)	Balance Dec. 31, 2015
Provisions			
Warranties	9,504	828	10,332
Obligations towards employees	2,583	3,662	6,245
Professional fees	224	0	224
Litigation costs	188	24	212
Other provisions	633	26	659
Total	**13,132**	**4,540**	**17,672**

Company obligations from employee work accounts are offset against securities classified as assets, which are created in order to secure these claims. Obligations from work accounts amount to EUR K 4,809 (previous year: EUR K 3,806). The cost of acquiring the securities amounts to EUR K 4,201 (previous year: EUR K 3,408) and the fair value at December 31, 2016 was EUR K 4,809 (previous year: EUR K 3,806), of which EUR K 4,809 is offset (previous year: EUR K 3,806).

19 – Financial liabilities

Financial liabilities comprise the amounts recognized under the balance sheet items “Long-term financial borrowings” EUR K 30,019 (previous year: EUR K 124,415); “Short-term borrowings from banks” EUR K 190,530 (previous year: EUR K 99,308); and “Current portion of long-term borrowings” EUR K 2,861 (previous year: EUR K 375).

The book values of financial liabilities developed as follows:

IN € K

	Dec. 31, 2016	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	103,384	103,384	0	0
Schuldschein loan agreements	119,938	89,986	29,952	0
Liabilities from finance leases	88	21	67	0
Total	**223,410**	**193,391**	**30,019**	**0**

	Dec. 31, 2015	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	104,198	99,677	4,521	0
Schuldschein loan agreements	119,827	0	119,827	0
Liabilities from finance leases	73	6	67	0
Total	**224,098**	**99,683**	**124,415**	**0**

The following table shows the remaining contractual periods of the financial liabilities at December 31, 2016 together with the estimated interest payments. These are undiscounted gross amounts which include the estimated interest payments.

IN € K

	Dec. 31, 2016	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	103,490	103,490	0	0
Schuldschein loan agreements	125,930	93,783	32,147	0
Liabilities from finance leases	92	22	70	0
Total	**229,512**	**197,295**	**32,217**	**0**

	Dec. 31, 2015	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	104,488	99,861	4,627	0
Schuldschein loan agreements	129,616	3,797	125,819	0
Liabilities from finance leases	85	10	75	0
Total	**234,189**	**103,668**	**130,521**	**0**

Borrowings from banks

Borrowings from banks include the following items:

BORROWINGS FROM BANKS

	Dec. 31, 2016 in € K	Interest rate as a percentage	Interest rate type	Due dates
Long-term loan	2,841	6.00	fixed	> 1 year in annuities by 2017
Money market loans in SEK	8,411	0.49	fixed	< 1 year
Money market loans in GBP	7,044	0.98	fixed	< 1 year
Money market loans in PLN	5,765	1.95	fixed	< 1 year
Money market loans in HKD	7,024	1.63 – 1.83	fixed	< 1 year
Money market loans in CZK	2,225	0.25	fixed	< 1 year
Money market loans in CHF	12,541	0.01	fixed	< 1 year
Money market loans in NOK	3,348	1.57	fixed	< 1 year
Money market loans in AUD	10,581	3.22 – 3.44	fixed	< 1 year
Money market loans in ZAR	1,583	9.25	fixed	< 1 year
Money market loans in RSD	9	0.00	fixed	< 1 year
Money market loans in EUR	50	0.00	fixed	< 1 year
Subtotal on fixed interest rate loans	**61,422**			
Money market loans in EUR	43	Euribor (0.5 – 0.85)	variable	< 1 year
Money market loans in USD	41,856	1.42 – 1.6	fixed/ variable	< 1 year
Loans in Brazilian reals	63	13.0 – 14.7	variable	< 1 year
Subtotal on variable interest rate loans	**41,962**			
Total	**103,384**			

	Dec. 31, 2015 in € K	Interest rate as a percentage	Interest rate type	Due dates
Long-term loan	3,209	6.00	fixed	> 1 year in annuities by 2017
Money market loans in SEK	8,219	0.80	fixed	< 1 year
Money market loans in GBP	6,855	1.34	fixed	< 1 year
Money market loans in PLN	6,704	2.40	fixed	< 1 year
Money market loans in HKD	6,002	1.49	fixed	< 1 year
Money market loans in CZK	4,270	0.60	fixed	< 1 year
Money market loans in CHF	2,769	0.00	fixed	< 1 year
Money market loans in NOK	2,649	2.00	fixed	< 1 year
Money market loans in ZAR	386	8.40	fixed	< 1 year
Money market loans in EUR	262	0.30	fixed	< 1 year
Subtotal on fixed interest rate loans	**41,325**			
Loan to purchase a tract of land	1,667	6 mo, Euribor + 1.85	variable	January 1, 2016
Money market loans in EUR	34	Euribor + (0.10 – 0.99)	fixed/ variable	< 1 year
Money market loans in USD	60,903	(0.28 – 1.50)	fixed/ variable	< 1 year
Loans in Brazilian reals	269	11.10	variable	< 1 year
Subtotal on variable interest rate loans	**62,873**			
Total	**104,198**			

Refer to item 29 “Risk management” in these Notes for information on the sensitivity of interest risks associated with variable-interest borrowings.

The following table lists the credit lines that have been confirmed but were not utilized by Wacker Neuson SE:

IN € K

	2016
First credit line EUR/USD	28,673
Second credit line EUR/USD (3 mo. Euribor + 0.5%)	63,453
Third credit line USD	20,594
Fourth credit line EUR	43,466
Fifth credit line EUR	1,352
Sixth credit line EUR	25,390
Seventh credit line EUR	35,716
Eighth credit line EUR	25,700
Ninth credit line EUR	19,978
Tenth credit line EUR	10,000
Eleventh credit line EUR	14,910
Twelfth credit line BRL	3,182
Thirteenth credit line TRY	94
Fourteenth credit line BRL	2,041
Fifteenth credit line EUR	300
Sixteenth credit line CLP	2,548
Seventeenth credit line EUR	15,000
Eighteenth credit line EUR	20,000
Nineteenth credit line ZAR	35
Total	**332,432**

	2015
First credit line EUR/USD (EUR Euribor + 0.85%/ USD SWAP rate (currently 0.66%) + 0.85%)	24,191
Second credit line EUR/USD (3 mo. Euribor + 0.67% / USD 1.38%)	40,553
Third credit line USD	19,388
Fourth credit line EUR	47,120
Fifth credit line EUR	983
Sixth credit line EUR	9,671
Seventh credit line EUR	34,999
Eighth credit line EUR	6,246
Ninth credit line EUR	19,978
Tenth credit line EUR	10,000
Eleventh credit line EUR	23,230
Twelfth credit line BRL	2,279
Thirteenth credit line TRY	104
Fourteenth credit line BRL	1,621
Fifteenth credit line EUR	300
Sixteenth credit line RSD	25
Seventeenth credit line CLP	2,327
Eighteenth credit line JPY	763
Nineteenth credit line EUR	15,000
Twentieth credit line EUR	20,000
Twenty-first credit line EUR	10,000
Twenty-second credit line EUR	20,000
Twenty-third credit line EUR	1,629
Twenty-fourth credit line ZAR	29
Total	**310,436**

The book values of borrowings from banks with variable and fixed interest rates were reported in the following currencies (equivalent in euros):

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Euro	2,934	5,172
USD (USA)	41,856	60,903
CHF (Switzerland)	12,541	2,769
AUD (Australia)	10,581	0
SEK (Sweden)	8,411	8,219
GBP (United Kingdom)	7,044	6,855
HKD (Hong Kong)	7,024	6,002
PLN (Poland)	5,765	6,704
NOK (Norway)	3,348	2,649
CZK (Czech Republic)	2,225	4,270
ZAR (South Africa)	1,583	386
BRL (Brazil)	63	269
RSD (Serbia)	9	0
Total	**103,384**	**104,198**

The fair value for the Schuldschein loan agreement amounted to EUR K 120,630 at December 31, 2016 (previous year: EUR K 125,635) (measurement of fair value at hierarchy level 3). All other fair values of financial liabilities largely correspond to the book values.

Promissory note (Schuldschein loan) agreement

Two tranches of a Schuldschein loan agreement were issued in fiscal 2012:

IN € K

	Dec. 31, 2016 Repayment amount	Dec. 31, 2016 Transaction fees	Dec. 31, 2016 Total nominal value	Dec. 31, 2016 Interest rate as a %	Due date
Schuldschein loan agreement – Tranche I	90,000	14	89,986	3.00	February 2017
Schuldschein loan agreement – Tranche II	30,000	48	29,952	3.66	February 2019
Total	**120,000**	**62**	**119,938**		

Liquid funds payable from the Schuldschein loan agreement refer to annual interest through 2017 on the first tranche amounting to EUR 2.7 million and a repayment in the amount of EUR 90 million on February 27, 2017. For the second tranche, annual interest payments in the amount of EUR 1.1 million are to be made through 2019 and a repayment in the amount of EUR 30 million is due on February 27, 2019.

Financial covenants

Financial covenants exist for the following financial instrument of Wacker Neuson SE:

Schuldschein loan agreement
The Schuldschein loan agreement issued in 2012 is subject to financial covenants customary in the market, for example, cross default, negative pledge and change of control clauses. A minimum Group equity ratio[1] of 30 percent has been agreed as a binding financial covenant. The covenants were observed in the fiscal year under review.

20 – Trade payables

As of December 31, 2016, trade payables (at book value) were broken down as follows:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Trade payables	**87,603**	**80,132**
Book value due < 30 days	67,448	66,579
Book value due 30–90 days	19,892	13,204
Book value due > 90 days	263	349

Interest does not accrue on trade payables.

[1] Group equity ratio. Ratio of equity before minority interests to total capital.

21 – Other current liabilities

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Other accruals/deferrals	24,079	23,919
Liabilities to customers	3,565	2,003
Misc. other current financial liabilities	2,061	1,782
Derivatives	303	0
Other current financial liabilities	**30,008**	**27,704**
Personnel accruals/deferrals	23,429	21,281
Tax accruals/deferrals and tax liabilities	7,310	19,803
Sales tax liabilities	11,831	8,347
Advance payments received	884	2,273
Other	1,161	1,414
Other current non-financial liabilities	**44,615**	**53,118**
Total	**74,623**	**80,822**

The other accruals mainly consist of outstanding invoices.

The fair values of current financial liabilities are reasonable approximations of the book values.

22 – Derivative financial instruments

Derivative financial instruments not treated according to hedge accounting criteria

Derivatives concluded as economic hedges for future foreign exchange transactions (underlying transaction) and as interest rate hedges do not satisfy formal hedge accounting criteria and are therefore classified as "financial assets held for trading" and recognized at fair value through profit or loss. The nominal amounts and fair values of derivative financial instruments (interest rate caps and foreign exchange forward contracts) are recognized as follows as at December 31, 2016 and December 31, 2015:

IN € K

	Dec. 31, 2016 Nominal value	Dec. 31, 2016 Market value	Dec. 31, 2015 Nominal value	Dec. 31, 2015 Market value
Assets				
Interest hedges	0	0	10,000	0
Total	**0**	**0**	**10,000**	**0**
Liabilities				
Currency hedges	2,473	303	0	0
Total	**2,473**	**303**	**0**	**0**

Refer to item 25 "Additional information on financial instruments" in these Notes for information regarding net profits and losses from these financial instruments.

IN € K

	Up to 1 year	1 to 5 years	Over 5 years
Liabilities			
Currency hedges	2,473	0	0
Total	**2,473**	**0**	**0**

There is no significant exposure to credit risks since all derivative contracts were entered into with banks that have a top credit rating.

Other information

23 – Contingent liabilities

Contingent liabilities, on the one hand, represent possible obligations that may be incurred depending on the outcome of a future event or events which are of an uncertain nature and not wholly within the control of the company. On the other hand, contingent liabilities represent present obligations for which payment is not probable or the amount of the obligation cannot be determined with sufficient reliability.

The Group has undersigned the following guarantees:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Guarantees	1,143	1,268

Furthermore, the Group is liable to the amount of EUR 4.1 million (previous year: EUR 4.1 million) in connection with a contract with the city of Munich to develop a property.

24 – Other financial liabilities

a) Obligations for equipment rental and service

The terms of the obligations for rental equipment and service contracts are as follows:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Obligations due within 1 year	18,296	13,435
Obligations due in 1 to 5 years	26,933	24,114
Obligations due in more than 5 years	8,599	6,908
Total	**53,828**	**44,457**

These include the following obligations for rental and service contracts that cannot be terminated with a term of one year or less in the amount of EUR K 12,898 (previous year: EUR K 11,030), with a term of between one and five years in the amount of EUR K 24,514 (previous year: EUR K 21,900) and with a term of over five years in the amount of EUR K 8,385 (previous year: EUR K 6,908).

b) Lease obligations

Finance lease obligations

When the Group is the lessee

The following table lists the net book values of the relevant assets at the closing date:

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Office and other equipment	109	81
Buildings	0	0
Total	**109**	**81**

2016

IN € K

	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	22	70	0	92
Less discount	-1	-3	0	-4
Present value	**21**	**67**	**0**	**88**
Discount rate	5.00%			

2015

IN € K

	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	26	59	0	85
Less discount	-4	-8	0	-12
Present value	**22**	**51**	**0**	**73**
Discount rate	2.08% – 16.00%			

The high discount rates refer to contracts in companies based in countries outside of Central Europe and North America with a comparatively high interest rate.

Operating leases

When the Group is the lessee
To the extent that a Group entity acts as a lessee, the lease payments are recognized as an expense over the term of the lease on a straight-line basis. This essentially refers to leased vehicles, computer hardware and other office equipment.

Outstanding commitments for future minimum lease payments under operating leases that cannot be terminated can be seen in the following table:

2016
IN € K

	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	5,147	7,314	172	12,633

2015
IN € K

	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	4,738	8,551	50	13,339

In 2016, EUR K 5,313 (previous year: EUR K 4,958) was expensed from operating lease agreements.

When the Group is the lessor (operating lease)
The Group has concluded lease agreements with its customers for the commercial rental of its equipment. These agreements can be terminated at any time and as such it is not possible to specify minimum lease payments. During the period under review, indirect lease payments amounting to EUR K 2,662 (previous year: EUR K 1,268) were recorded as income.

c) Obligations resulting from investment decisions/takeback and purchase commitment obligations

Financial obligations ensuing from construction and investment projects amounting to EUR K 2,682 (previous year: EUR K 2,430) and from takeback obligations amounting to EUR K 39,211 (previous year: EUR K 38,990) have been recognized.

In addition, unconditional purchase commitments amounting to EUR K 132,524 (previous year: EUR K 125,508) also exist.

d) Legal proceedings and court cases
In the course of its normal activities, the company is exposed to judicial and extrajudicial proceedings from time to time. The outcome of these proceedings often depends on an uncertain future event and cannot be predicted with certainty. The Group is involved in a number of individual cases where the outcomes are considered to be insignificant.

25 – Additional information on financial instruments

The book and fair values of financial assets and liabilities are presented in the following table. It also shows how the individual items are categorized.

IN € K

	2016 Fair value	2016 Book value	Initial disclosure	Held for trading	Held for sale	Hedges	Loans and receivables	Held to maturity	Leases and others (book value)
			IAS 39 classification (book value)						
			Measured at fair value recognized in the income statement		Measured at fair value with changes recognized in equity		At residual book value		
Assets									
Other non-current financial assets	24,543	24,543	0	0	1,637	0	22,906	0	0
Trade receivables	213,872	213,872	0	0	0	0	213,872	0	0
Other current financial assets	2,501	2,501	0	0	0	0	2,501	0	0
Cash and cash equivalents	17,572	17,572	0	0	0	0	17,444	0	128

IN € K

	2016 Fair value	2016 Book value	Initial disclosure	Held for trading	At residual book value	Hedges	Leases and others (book value)
			IAS 39 classification (book value)				
			Measured at fair value recognized in the income statement		At amortized cost	Measured at fair value with changes recognized in equity	
Liabilities							
Long-term financial borrowings	31,067	30,019	0	0	29,952	0	67
Trade payables	87,247	87,247	0	0	87,247	0	0
Short-term borrowings from banks	190,333	190,530	0	0	190,530	0	0
Current portion of long-term borrowings	2,861	2,861	0	0	2,840	0	21
Other short-term financial borrowings	30,008	30,008	0	303	29,705	0	0

IN € K

	2015 Fair value	2015 Book value	Initial disclo-sure	Held for trading	Held for sale	Hedges	Loans and receiv-ables	Held to maturity	Leases and others (book value)
			IAS 39 classification (book value)						
			Measured at fair value recognized in the income statement		Measured at fair value with changes recognized in equity		At residual book value		
Assets									
Other non-current financial assets	10,784	10,784	0	0	1,554	0	9,230	0	0
Trade receivables	180,035	180,035	0	0	0	0	180,035	0	0
Other current financial assets	2,763	2,763	0	0	0	0	2,763	0	0
Cash and cash equivalents	25,019	25,019	0	0	0	0	24,889	0	130

IN € K

	2015 Fair value	2015 Book value	Initial disclo-sure	Held for trading	At residual book value	Hedges	Leases and others (book value)
			IAS 39 classification (book value)				
			Measured at fair value recognized in the income statement		At amortized cost	Mea-sured at fair value with chan-ges recog-nized in equity	
Liabilities							
Long-term borrowings	130,223	124,415	0	0	124,415	0	0
Trade payables	80,132	80,132	0	0	80,132	0	0
Short-term borrowings from banks	99,308	99,308	0	0	99,308	0	0
Current portion of long-term borrowings	375	375	0	0	369	0	6
Other short-term financial borrowings	27,704	27,704	0	0	27,704	0	0

The following table shows the net profits and losses from financial instruments based on valuation categories. It does not include any effects on income resulting from finance leases as these are not allocated to any valuation categories defined in IAS 39. Similarly, interest and dividends have not been recognized on the net profits and losses from financial instruments.

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Loans and receivables	-1,895	-3,171
Held for trading (derivatives)	-303	0
Held for sale	26	33
Financial liabilities measured at amortized cost	1,048	1,865

Net gain/loss in the category “loans and receivables” results from allowances for doubtful accounts on trade receivables.

The gains and losses from adjustments to the fair value of derivatives that do not meet hedge accounting criteria are included in the category of “assets held for trading”.

Total interest income (EUR K 98; previous year: EUR K 95) and total interest expense (EUR K 6,120; previous year: EUR K 5,946) was recognized for financial assets and liabilities (calculated using the effective interest method) that were not valued at fair value through profit or loss.

Financial instruments in the form of foreign currency trade receivables and payables are valued at the relevant spot rates applicable on the balance sheet dates. This resulted in expense in the amount of EUR K 1,386 (previous year: proceeds of EUR K 3,871), which is reported in the cost of sales.

The table below shows the financial instruments subsequently valued at fair value. Refer to the section on accounting and valuation methods for information on how fair value is categorized (into hierarchical levels) in accordance with IFRS 13.

The methods and assumptions used to determine the fair values were as follows:

IN € K

	Level 1	Level 2	Level 3	Dec. 31, 2016
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	0	0	0	0
Financial assets categorized “measured at fair value not recognized in the income statement”				
Securities	1,637	0	0	1,637
Financial liabilities categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	0	303	0	303

IN € K

	Level 1	Level 2	Level 3	Dec. 31, 2015
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	0	0	0	0
Financial assets categorized “measured at fair value not recognized in the income statement”				
Securities	1,554	0	0	1,554
Financial liabilities categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	0	0	0	0

Long-term fixed and variable rate receivables/borrowings are evaluated by the Group based on parameters including interest rates, country-specific risk factors, the creditworthiness of individual customers and the risk characteristics of the financed project. Based on this evaluation, allowances for doubtful accounts are established to account for the expected losses from these receivables. As of December 31, 2016, the book values of these receivables, less allowances for doubtful accounts, corresponded approximately to their calculated fair values.

The fair value of financial assets available for sale is derived from quoted prices on active markets.

The Group concludes derivative financial instruments with various counterparties, principally financial institutions with a high credit rating. Derivatives valued by applying an evaluation process with input parameters observable on the market primarily include forward exchange contracts. The most frequently used evaluation methods include forward price models using present value calculations. The models incorporate various inputs including the credit standing of the business partner, spot exchange rates, futures rates and forward exchange rates.

The fair values of the Group's interest-bearing loans are determined using the discounted cash flow method. The discount rate used reflects the borrowing rate of the issuer at the close of the period under review. The Group's own risk of non-performance was classified as low at December 31.

26 – Events since the balance sheet date

On January 1, 2017, Wilfried Trepels was appointed new Chief Financial Officer (CFO) of Wacker Neuson SE. Mr. Trepels takes over from Mr. Günther C. Binder, who stepped down from the Executive Board on December 31, 2016.

Mr. Jan Willem Jongert stepped down from his position on the Executive Board on January 9, 2017. He originally took up the role on April 1, 2016. The Supervisory Board of Wacker Neuson SE and Mr. Jongert reached an amicable mutual agreement for Mr. Jongert to leave the company before the expiration of his term of office. This was due to a difference in opinion over the concrete implementation of the Group's existing sales strategy. On January 10, 2017, Mr. Alexander Greschner was appointed Chief Sales Office (CSO) of Wacker Neuson SE. Mr. Greschner previously spent three years as Managing Director of the German production site for light equipment, which is headquartered in Reichertshofen, near Munich. He also played a key role in the success of numerous Group-wide sales projects. Wacker Neuson does not expect this change to have a direct influence on the Group's profit, financials and assets.

On February 20, the Executive Board of Wacker Neuson SE, Munich, decided to sound out market interest from potential investors for a real estate company in the Group. This company has acquired an option for one of the Group's industrial properties in Munich, covering an area of approximately 27,000 m², which will probably no longer be required as of the first quarter of 2018 due to the construction of a new R&D center for light equipment in Reichertshofen.

In light of the positive real estate market in Munich, Wacker Neuson SE believes that a transaction in this context could result in one-off income for the Wacker Neuson Group in the mid-double-digit million range (in euros) by the end of fiscal 2017.

On February 28, 2017 Wacker Neuson SE successfully placed a Schuldschein loan at favorable conditions. Brokered by the Landesbank Hessen-Thüringen Girozentrale, the Schuldschein loan was successfully placed with institutional investors with a fixed interest rate of 0.69 percent p.a. and a term of five years. The transaction was subscribed at the lower end of the interest rate marketing range. The loan was oversubscribed by more than two-and-a-half times. This, combined with the attractive conditions, prompted the company to increase the value of the Schuldschein loan from EUR 50 million to EUR 125 million. The funds from the loan will be used to repay a tranche of the 2012 Schuldschein loan in the amount of EUR 90 million which is due in February of this year and to finance the company.

There have been no further events since the reporting date that could have a significant impact on the Group's profit, financials and assets.

27 – Segmentation

Delineation and determination of operating segments

The internal organizational structure and management structure as well as the internal reports to the Executive Board and Supervisory Board, which are based on geographical segments, form the basis for determining the operating segments of the company. For information regarding geographical segmentation of affiliates, please refer to the section on consolidation structure (see the general information on accounting standards/consolidation structure). According to this structure, the affiliates are geographically grouped into regional markets (Europe, Americas and Asia-Pacific). Turkey, Russia and South Africa are included in the Europe segment. Reporting is also carried out internally according to business segments. This exclusively deals with revenue. Company management will therefore continue to focus on geographical segments. In the period under review, no segmentation changes were made.

Products and services of operating segments

The products and services offered by the geographical operating segments can be divided into light equipment, compact equipment and services.

The light equipment business segment covers the manufacture and sale of light equipment in the three business fields of concrete technology, compaction and worksite technology.

The compact equipment business segment covers the manufacture and sale of compact equipment.

The services business segment houses the company's activities in the spare parts, maintenance and used equipment business fields.

Segment valuation methods

The intrasegment business transactions that were reported under EBIT for the individual segments are listed in the Consolidation column. Non-current assets will be reported according to key countries.

Segment valuation methods are based on the valuation methods used in internal reporting. Internal reporting is carried out exclusively in line with the valid IFRS standards as applicable.

Transactions between the individual Group segments are based on prices that also apply to third-party transactions.

Reporting format

Segment reporting is presented in the Notes to the Consolidated Financial Statements on → page 125 of this financial report.

Segment revenue and segment earnings, expressed as EBIT, are derived from internal reporting. Figures from the individual companies are added together to reach this EBIT figure. EBITDA is also disclosed as a profit indicator. As the holding company, Wacker Neuson SE is allocated to the Europe segment. Expenses for the corporate services it provides are allocated in full to the individual regional reportable segments.

The consolidation column reflects the eliminated transactions affecting income that took place between operating segments. This primarily refers to the consolidation of intercompany profits and losses from the sale of goods.

Revenue from external customers, categorized according to products and services, is recognized at company level. In addition, revenue and non-current assets are reported according to key countries. No individual customer accounted for more than 10 percent of Group revenue.

EBITDA
Earnings before interest, taxes, depreciation and amortization.

28 – Cash flow statement

The cash flow statement is prepared in accordance with IAS 7. The cash flow statement reports cash flows resulting from operating activities, from investing activities as well as from financing activities. Insofar as changes in cash and cash equivalents are due to foreign exchange rate fluctuations, these are reported separately. The determination of cash flow from operating activities was derived using the indirect method.

Current liquid funds comprise cash and cash equivalents as reported on the balance sheet. Short-term borrowings from banks in the Group cash pool were offset against cash and cash equivalents.

Please refer to item 15 in these Notes to see the breakdown of current liquid funds.

Non-cash operating expenses and income as well as gains or losses on the sale of property, plant and equipment have been eliminated from the cash flow from operating activities.

The item "Book value from the disposal of rental equipment" recognized in the cash flow from operating activities includes the book values of rental equipment formerly recognized under fixed assets and reclassified on sale of the equipment as current assets.

Cash flow from investment activities comprises the cash outlay for intangible assets and property, plant and equipment less divestments.

Cash flow from financing activities contains payments received from and made to shareholders. It also contains payments resulting from borrowing and repayment of debt. In the 2016 Annual Report, cash flows from financing activities are determined with much greater accuracy than in the previous year due to new technical processes and new detailed information. As a result, the Group was able to differentiate between cash flows from short-term and long-term borrowings. This detailed presentation was applied for the current fiscal year and the reference year.

29 – Risk management

Capital management

The main aim of the Group's capital management policy is to maintain a high equity ratio to support business activities.

The Group actively controls and modifies its capital structure in line with changing market dynamics. The goal of the capital management policy is to secure the Group's business and investment activities in the long term. To maintain a suitable capital structure, the Group can propose changes to dividend payments to shareholders or issue new shares. As of December 31, 2016 and December 31, 2015, no changes were made to objectives, guidelines or procedures within the framework of the capital structure control policy. The Group monitors its capital using net financial debt resulting from current net financial liabilities and non-current financial liabilities as an indicator.

The minimum capital requirements for equity stipulated under German stock legislation have been fulfilled. Equity is subject to an external minimum capital requirement of 30 percent under the terms of a Schuldschein loan agreement. For further information, please refer to item 19 "Financial liabilities" in these Notes.

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Current financial liabilities	193,391	99,683
Short-term financial liabilities	190,530	99,308
Current portion of long-term financial liabilities	2,861	375
Non-current financial liabilities (without provisions)	30,019	124,415
Total equity before minority interests	1,087,201	1,064,109
Total capitalization	**1,310,611**	**1,288,207**

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Current net financial liabilities	**175,819**	**74,664**
Short-term liabilities	193,391	99,683
plus liquid funds	-17,572	-25,019
Net financial debt	**205,838**	**199,079**
Current net financial liabilities	175,819	74,664
plus non-current financial liabilities	30,019	124,415

Financial risk factors

Due to the global scope of its operations, the Group is exposed to various financial risks, including foreign currency risks, credit risks, liquidity risks and interest rate risks. The comprehensive risk management policy of the Group is focused on the unpredictability of developments in financial markets and aims to minimize any potential negative impact on the Group's financial position. It is a general policy of the company to reduce these risks by systematic financial management. The Group employs selective derivative financial instruments to hedge against certain risks.

The Group finance department is responsible for risk management in accordance with the rules and guidelines approved by the Executive Board. It identifies, evaluates and hedges against financial risks in close cooperation with the operating units of the Group. The Executive Board sets guidelines for risk management as well as fixed policies for specific areas of risk. These include dealing with foreign currency risks, interest rate risks and credit risks.

The guidelines also specify how derivative and other financial instruments and liquidity surpluses are to be used.

Currency risks

Currency risks arise from expected future transactions, assets and liabilities reported in the balance sheet, as well as from net investments in a currency that diverges from the functional currency. Exchange risks are naturally hedged by offsetting receivables against payables in a given currency.

If the USD/EUR exchange rate increased or decreased by 5 percent, changes in the financial assets and liabilities reported in the balance sheet in US dollars would have the following impact on profit before tax and equity:

	2016	2015
USD currency trends as a %	+5.00/-5.00	+5.00/-5.00
Impact on profit before tax (EBT) in € K	543/-741	1,275/-1,088
Impact on equity in € K	543/-741	1,275/-1,088

Group profit was hardly affected by significant exchange rate fluctuations relevant to the international flow of goods due to natural currency hedging, in particular with regard to the euro/US dollar. In 2016, the average EUR/USD exchange rate was EUR 1 to USD 1.11 (previous year: EUR 1 to USD 1.11).

The Group is also subject to currency risks from individual transactions resulting from purchases and sales executed by a Group member in a currency other than the functional currency.

Credit risks

The Group is not exposed to any material credit risks (default risks). Contracts for derivative financial instruments and financial transactions are concluded only with financial institutions with a high credit rating in order to keep the risk of default by the contracting party as low as possible. The book value of financial assets recognized in the Consolidated Financial Statements represents the maximum default risk. For further information on the book value of financial assets, please refer to item 25 “Additional information on financial instruments” in these Notes.

Continued weakness on construction and financial markets in some countries may present certain Group customers with financial difficulties, possibly culminating in insolvency. This would lead to a rise in accounts receivable and a subsequent increased risk of default. The Group is counteracting the risk of changes in individual customers’ payment patterns through its active accounts receivable management policy, partner “health checks” and tools such as credit hedging.

Interest rate risks

Interest rate risks are caused by market fluctuations in interest rates. On the one hand, they impact the amount of interest payments for which the Group is liable. On the other hand, they influence the fair value of financial instruments.

The Group hedges some of its cash flow against interest rate risks arising from borrowings with variable interest rates primarily by means of interest rate swaps (payer swaps), which, taking the prevailing economic climate into consideration, convert the variable interest rate positions into positions with fixed interest rates.

The following balance sheet items include variable-interest cash and cash equivalents and liabilities which are subject to interest rate risks.

IN € K

	Dec. 31, 2016	Dec. 31, 2015
Cash and cash equivalents	17,572	25,019
Long-term borrowings	30,019	124,415
Short-term borrowings	190,530	99,308
Current portion of long-term borrowings	2,861	375
	240,982	**249,117**

The following table shows how changes in interest rates that could be reasonably expected would impact the Group’s earnings before tax based on the impact this would have on variable interest rate loans and balances.

The effects on Group earnings before tax also reflect the impact on equity.

IN € K

	2016	2015
Increase in interest rates of 0.2%	-473	-405
Decrease in interest rates of 0.2%	473	405

The fixed-interest Schuldschein loan agreement was not included when calculating the impact on earnings. For more information, see item 19 “Financial liabilities” in these Notes.

Liquidity risks

Liquidity risks involve the availability of funds needed to meet payment obligations on time. The company is assured a supply of liquid funds at all times by the lines of credit it is not currently using. Liquidity is managed by the Group’s treasury department via a Group-wide cash pool system. Refer to item 19 “Financial liabilities” in these Notes for further information, also on existing credit lines and financial covenants.

30 – Executive bodies

Executive Board

In the year under review, the Executive Board comprised the following four members:

- Cem Peksaglam, CEO, responsible for Group strategy, mergers and acquisitions, investor relations and corporate communication, legal matters, real estate, HR, compliance, and sustainability.
- Martin Lehner, Deputy CEO, responsible for technology, plants, research and development, procurement and quality management.
- Günther C. Binder, responsible for finance, controlling, Group auditing and IT (until December 31, 2016).
- Jan Willem Jongert, Chief Sales Officer responsible for sales (including rental, training and logistics), spare parts and service, and Group marketing (from April 1, 2016 to January 9, 2017).

The members of the Executive Board do not have any additional Supervisory Board positions or seats on comparable supervisory committees for German or foreign commercial companies outside of the Wacker Neuson Group.

Supervisory Board

The following members are members of the Supervisory Board of Wacker Neuson SE or were members of the Supervisory Board during the year under review:

- Johann Neunteufel, engineer, Chairman of the PIN Private Trust (PIN Privatstiftung), in Linz, Austria, Chairman of the Supervisory Board
- Hans Haßlach, Chairman of the Kramer-Werke GmbH Works Council (until January 31, 2017), Deputy Chairman of the Group Works Council (until January 31, 2017), Deputy Chairman of the SE Works Council (until January 1, 2017), Uhldingen-Mühlhofen, Germany
- Kurt Helletzgruber, member of the board of the PIN Private Trust (PIN Privatstiftung), Linz, Austria
- Prof. Dr. Matthias Schüppen, attorney at law, auditor, tax adviser and partner at the Graf Kanitz, Schüppen & Partner law firm, Stuttgart, Germany
- Elvis Schwarzmair, Chairman of the Reichertshofen Works Council and Chairman of the Group Works Council and the SE Works Council, Rohrbach, Germany
- Ralph Wacker, civil engineer and managing partner of wacker+mattner GmbH, Munich, Germany, Deputy Chairman of the Supervisory Board

In accordance with the Articles of Incorporation, the terms of office of the Supervisory Board members listed above will run until the close of the AGM that tables a resolution to formally approve the actions taken by Wacker Neuson SE in fiscal 2019. The terms may be no longer than six years.

The following members of the Supervisory Board have additional supervisory board positions or seats on comparable supervisory committees for German or foreign companies:

- Johann Neunteufel
  Chairman of the Supervisory Board of Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Linz, Austria
- Prof. Dr. Matthias Schüppen
  Chairman of the Supervisory Board of ACCERA AG, Mannheim, Germany

For information on the remuneration of the Executive Board and Supervisory Board, as well as remuneration of former Board members, please refer to item 31 “Related party disclosures” in these Notes.

31 – Related party disclosures

For the Group, related party disclosures within the meaning of IAS 24 generally refers to shareholders and entities over which shareholders have control or significant influence (sister companies, members of the Executive Board and members of the Supervisory Board).

Key trade relations with related parties were as follows during the period under review:

IN € K

	Current receivables Dec. 31, 2016	Current payables Dec. 31, 2016	Expenses for business transactions 2016	Income for business transactions
Relations with shareholders	189	159	503	730
Relations with sister companies	189	25	666	361
Total	**378**	**184**	**1,169**	**1,091**

IN € K

	Current receivables Dec. 31, 2015	Current payables Dec. 31, 2015	Expenses for business transactions 2015	Income for business transactions
Relations with shareholders	207	151	588	1,299
Relations with sister companies	21	13	724	336
Total	**228**	**164**	**1,312**	**1,635**

Relations with shareholders resulted mainly from goods and services traded with a shareholder. The goods and services delivered to the shareholder were valued at EUR K 696 (previous year: EUR K 1,016). These were counterbalanced with goods and services received from the shareholder to the value of EUR K 482 (previous year: EUR K 586). The goods and services were traded under the terms customary in the market, as agreed with third parties.

Relations with sister companies and entities over which shareholders have control or significant influence resulted mainly from deliveries and rental arrangements between affiliates and entities over which shareholders have control or significant influence. The goods and services were traded under the terms customary in the market, as agreed with third parties.

Total remuneration for the Executive Board in the fiscal year amounted to EUR K 3,510 (previous year: EUR K 3,152). Total remuneration for the Supervisory Board amounted to EUR K 534 (previous year: EUR K 498). At the AGM on May 31, 2016, a resolution was passed in line with Section 286 (5) sentence 1, Section 314 (3) sentence 1 and Section 315a (1) HGB to refrain from itemizing this information in accordance with Section 285 No. 9a sentence 5 to 8 in conjunction with Section 314 (1) No. 6a sentences 5-8 HGB in conjunction with Section 315a (1) HGB. At the closing date, short-term payables to the Executive Board in the amount of EUR K 1,610 were outstanding (previous year: EUR K 1,350).

Retirement commitments were agreed upon for members of the Executive Board. The present value of pension obligations at the end of the accounting period totaled EUR K 4,499 (previous year: EUR K 4,363). The increase in value (allocation) amounted to EUR K 136 (previous year: allocation of EUR K 216). The present value of pension obligations is based on pension obligations before netting with plan assets and before any possible actuarial gains or losses that have not yet been recognized. For more detailed information, please refer to item 17 "Provisions for pensions and similar obligations" in these Notes.

Due to respective agreements, pension agreements have also been concluded with former members of the Executive Board. The value of these pension obligations at the end of the accounting period came to EUR K 33,872 (previous year: EUR K 27,230). In the period under review, a total of EUR K 911 (previous year: EUR K 844) was paid to former Executive Board members.

32 – Auditor's fee

The fee for the auditor and associated companies is disclosed as an expense in fiscal 2016 and is broken down as follows:

IN € K

	2016 Auditor and associated companies	2016 Of which auditor	2015 Auditor and associated companies	2015 Of which auditor
Auditing services	1,332	531	1,000	445
Other approval and assessment services	–	–	57	57
Tax consultation services	596	431	412	383
Other services	30	12	75	62

The breakdown of fees already incorporates the latest version of the standard HFA 36, issued by the German Institute of Auditors.

33 – Declaration regarding the German Corporate Governance Code

The Executive Board and Supervisory Board have issued a declaration stating which recommendations of the Government Commission on the German Corporate Governance Code have been and are being adopted. The declaration can be downloaded at any time from the Group website at → www.wackerneusongroup.com.

34 – Availing of exemption provisions according to Section 264 (3) and/or Section 264b HGB

The following fully consolidated domestic affiliates avail of the exemptions set down in Section 264 (3) HGB and/or Section 264b HGB for fiscal 2016:

Company name	City
Kramer-Werke GmbH	Pfullendorf
Wacker Neuson Grundbesitz GmbH & Co. KG	Pfullendorf
Wacker Neuson Produktion GmbH & Co. KG	Munich
Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich
Wacker Neuson Vertrieb Europa GmbH & Co. KG	Munich
Weidemann GmbH	Diemelsee-Flechtdorf
Wacker Neuson Immobilien GmbH	Überlingen

Munich, March 14, 2017

Wacker Neuson SE

The Executive Board

Cem Peksaglam
CEO

Wilfried Trepels
CFO

Martin Lehner
CTO
(Deputy CEO)

Alexander Greschner
CSO

Responsibility Statement by Management

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Wacker Neuson Group, and that the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Wacker Neuson Group respectively the parent company Wacker Neuson SE, together with a description of the principal opportunities and risks associated with the expected development of the Wacker Neuson Group respectively the parent company Wacker Neuson SE."

Munich, March 14, 2017

Wacker Neuson SE, Munich

The Executive Board

Cem Peksaglam
(CEO)

Wilfried Trepels

Martin Lehner
(Deputy CEO)

Alexander Greschner

Unqualified Auditor's Opinion

The following auditor's opinion is based on the Consolidated Financial Statements and Combined Management Report of the Wacker Neuson Group:

"We have audited the consolidated financial statements prepared by Wacker Neuson SE, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Company for the reporting period from January 1 through December 31, 2016. The preparation of the Consolidated Financial Statements and the Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Group Management Report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the "Institut der Wirtschaftsprüfer" (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as the evaluation of the overall presentation of the Consolidated Financial Statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion and based on the findings of our audit, the consolidated financial statements comply with those IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the Consolidated Financial Statements, conforms to legal regulations and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, March 14, 2017

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Keller	von Wachter
Wirtschaftsprüfer	Wirtschaftsprüfer
(Public Auditor)	(Public Auditor)

Technical Glossary

C

Compact equipment
One of the Group's strategic business segments. Compact equipment covers machinery weighing up to 15 tons, particularly wheel loaders and telescopic wheel loaders, skid-steer loaders, four-wheel and track dumpers, telescopic handlers as well as mobile and compact excavators.

Compaction
One of the Group's business fields in the light equipment segment. Equipment in this field is used for compacting soil and asphalt during the construction of trenches, roads, paths, foundations and industrial buildings. It includes products such as rammers, vibratory plates and rollers.

Concrete technology
One of the Group's business fields in the light equipment segment. The equipment is used to compact concrete when laying concrete walls, ceilings and floors and includes internal and external vibrators as well as trowels for applying a smooth finish to concrete surfaces.

D

dual power
This dual drive system for compact excavators enables conventional diesel-powered excavators to be operated in zero-emissions mode simply by connecting an external electro-hydraulic unit to the excavator's undercarriage.

Dumpers
Track- or wheel-based machines in the compact equipment segment primarily used for transporting backfill material.

E

ECO
Seal awarded by Wacker Neuson to products and solutions that are particularly environmentally friendly (ECOlogy) and cost efficient (ECOnomy).

H

Heavy equipment
Large construction machinery defined by the company as having a total weight of over fifteen tons, typically transported to construction sites for specific projects and operated by specially trained users.

Hoftrac®
Compact wheel loaders made primarily for stable/barn and yard work in the agricultural sector. Their compact footprint makes them highly maneuverable and ideal for indoor work. Hoftrac® loaders are significantly narrower and more compact than conventional wheel loaders and have a smaller turning radius.

Hydronic heaters
Mobile heating equipment to thaw frozen ground, heat buildings and cure concrete at sub-zero conditions, making construction work less dependent on weather conditions (for example in regions with long winters such as Canada, Alaska, Russia and Scandinavia).

I

Internal vibrators
Used for concrete compaction, mainly on construction sites. These vibrators comprise eccentric weights driven by an electrical motor, which are encased in a water-tight steel tube so that they can be submerged in fresh concrete.

K

Light equipment
One of the Group's strategic business segments. It covers predominantly hand-held, remote control or ride-on equipment weighing up to 3 tons in the strategic business fields of concrete technology, compaction and worksite technology.

R

Rammers
First developed in the 1930s by the Wacker Neuson, this pioneering product is used in soil and asphalt compaction, particularly in small spaces and even narrow trenches.

S

Skid steer loaders
Small loaders with four wheel drive steering or rubber tracks. They offer excellent maneuverability thanks to their skid steering system. They can also be equipped with a wide range of attachments, making them a flexible option for a wide range of jobs.

T

Telescopic handlers
Like wheel loaders, these compact machines are ideal for the construction and agricultural sectors. Telescopic handlers, however, feature a detached cabin and support very high lifting heights despite their compact dimensions. The telescopic arm on the tail provides these machines with a strong lever effect.

Telescopic wheel loaders
Telescopic wheel loaders feature a telescopic arm, which gives them a greater range and lifting height. Operators are seated in a central position with a clear view of their surroundings. The telescopic boom is positioned directly in front of the cabin.

Trowels
Trowels are used to smooth concrete surfaces, in particular freshly poured concrete, for example, in industrial buildings.

V

Vibratory plate
Soil and asphalt compaction devices, mainly used to precompact foundation soil and compact paving stones. They travel forwards and backwards, and can also be equipped with remote control technology.

W

Wheel loaders
Articulated and all-wheel drive wheel loaders are extreme versatile machines. Thanks to a broad range of attachments and technologies, they are the perfect choice for a host of jobs, including transporting and stacking material.

Worksite technology
One of the Group’s business fields in the light equipment segment. Products in this business field include generators and lighting equipment for construction site activities as well as equipment used to break or cut asphalt such as cut-off saws, floor saws and breakers.

Z

Zero emissions
A range of electrically powered light and compact equipment ideal in particular for use on indoor construction sites and in areas sensitive to noise and emissions – such as residential zones, schools or hospitals. Zero emissions products are particularly effective at protecting both users and the environment.

Zero-tail excavators
The housing of zero-tail excavators does not protrude over the tracks when the superstructure rotates (360°). Zero-tail excavators can be used directly next to walls as they will not cause any damage when rotating.

Financial Glossary

C

Capital employed
Invested capital: Capital employed represents the interest-bearing capital tied up in and required by the Group to function. It is equal to the Group's operating assets less the amount of non-interest bearing available capital.
Capital employed = non-interest-bearing assets less non-interest-bearing liabilities, less goodwill and less brand value.

Cash flow
Refers to a company's ability to finance itself, calculated by the excess of cash revenues over cash outlays in a given period of time (not including non-cash expenses/income).

Cash flow from financing activities
Cash balance resulting from changes to financial liabilities, the issue of shares, cash inflow from disposal of treasury shares/cash outflow from the acquisition of treasury shares and dividend payments.

Cash flow from investment activities
Cash balance resulting from the acquisition of financial, tangible or intangible assets and the disposal of financial, tangible or intangible assets.

Cash flow from operating activities
Cash flow generated from operating activities.

Corporate governance
Sound and responsible management and control of a company with the aim of creating long-term value.

CSR
Corporate social responsibility (CSR) refers to a company's voluntary contribution to sustainable development above and beyond the minimum legal requirements (compliance). Acting as a good corporate citizen, the company explains how it is taking a responsible approach to business (markets), to the environment, to its employees and to communication with key stakeholders.

D

Deferred taxes
Differences between the tax base and the carrying amounts in the IFRS accounts in order to disclose tax expense and tax entitlement (actual and deferred) according to IFRS.

Derivatives
Financial instruments, such as futures and options, that derive their value from the value of other financial instruments or an underlying asset.

Discounted cash flow (DCF) method
Valuation method used to estimate the market value by discounting a company's future cash flows to their present value.

E

Earnings per share (EPS)
EPS is defined as Group net profit for the year divided by the number of shares.

EBIT (margin)
The earnings before interest and taxes (EBIT) margin is the ratio of EBIT to revenue.

EBITDA (margin)
Earnings before interest, taxes, depreciation and amortization (EBITDA) indicate a company's operational profitability. The EBITDA margin is the ratio of EBITDA to revenue.

EBT
Earnings before taxes.

Equity ratio
Ratio of equity before minority interests to total capital; indicates the financial stability of a company.

EVA (Economic Value Added)
Indicates whether company value has increased.
EVA = ROCE II less WACC, multiplied by average capital employed.
The company is producing value if ROCE II exceeds WACC.

F

Free cash flow
Free cash flow refers to the amount of cash readily available to a company.

G

Gearing
Net financial debt as a percentage of equity before minority interests.

Goodwill
When a company purchases another company for a price that is higher than the fair value (book value) of all assets and liabilities, the difference is recorded as goodwill.

Gross profit margin
A measure of operational efficiency, expressing the relationship between gross profit and sales revenue or the percentage by which sales exceed cost of sales.

H

Hedge
Provides protection against risks arising from unfavorable exchange rate fluctuations and changes to raw materials and other prices.

I

IFRS (IAS)
Internationally recognized and applied accounting standards devised by the International Accounting Standards Board (IASB) in an effort to harmonize accounting standards and principles worldwide.

Impairment test
Intangible assets are subject to an annual impairment test. This involves comparing the book value with the fair value less costs to sell. The fair value less costs to sell is calculated using the discounted cash flow method. Future cash flows are discounted to the respective reporting date. The asset is deemed impaired if the fair value less costs to sell is lower than the carry value.

K

Key performance indicators (KPI)
KPIs are used to define company targets and measure the extent to which a company is achieving its goals.

N

NOPLAT
Net operating profit less adjusted taxes (NOPLAT) refers to earnings before interest and taxes (EBIT) minus adjusted taxes. NOPLAT shows the annual profit a company would achieve if it were financed purely from equity.
NOPLAT = EBIT less (EBIT x corporate tax ratio)

P

Peer group
Companies active in the same or similar branch or industry.

R

Return on assets after tax and before minority interests (ROA)
The ratio between profit for the period before minority interests and the average balance sheet total.

Return on equity (ROE)
The indicator measures the return a company is getting on its equity. It shows the relation between profit for the period (after tax and after minority interests) and equity employed before minority interests.
ROE = Profit for the period (after tax and after minority interests) in relation to average equity before minority interests as a %

Return on sales (ROS)
The ratio between profit for the period after minority interests and revenue.

ROCE I (Return on Capital Employed)

ROCE I indicates the efficiency and profit generating ability of capital expenditure (before tax) within a company.
ROCE I = EBIT ratio in relation to average capital employed as a %

ROCE II (Return on Capital Employed)
ROCE II shows how much return a company realizes on the capital it invests after tax.
ROCE II = NOPLAT in relation to average capital employed as a %

S

Schuldschein loan agreement
Schuldschein loan agreements ("Schuldscheindarlehen") are bilateral loan agreements unique to the German market. They represent a source of capital market financing similar to bond or syndicated loan financing for issuers with long-term funding needs. Schuldschein loan agreements are typically senior unsecured instruments that pay a fixed or a variable coupon. Unlike bonds, Schuldschein loans are not securities but bilateral, unregistered, (usually) unrated and unlisted loan agreements sold directly to institutional investors. Schuldschein loans are not exchange traded.

Swap
An agreement between two parties to exchange cash flows at a future point in time. The agreement also defines how the payments are calculated and when they are to be made.

W

WACC (Weighted Average Cost of Capital)
Indicates the minimum return on capital employed. It is calculated as the weighted average cost of equity and debt, whereby tax benefits are deducted from the cost of debt. Here, equity is taken at market value at the closing date and not at the balance sheet value. The cost of equity is based on the risk-free return plus a company-specific market risk premium. This corresponds to the difference between the risk-free return and the overall market return depending on the leverage beta.

The long-term conditions under which the Wacker Neuson Group can borrow funds are used to define debt costs. For shareholders and lenders, WACC indicates the return they might expect on the funds or capital they have provided. It also gives a company a good indication of the type of return it needs to generate on prospective investments. A company is producing value for its investors if return on capital employed (ROCE) exceeds WACC.
WACC: (percentage of financing that is equity x cost of equity) + (percentage of financing on average that is debt x cost of debt) x (1 – tax rate). Equity costs = basic interest rate (risk-free return) + market risk premium x leverage ß

Working capital
The difference between a company's current (i.e. within a year) liquid assets and current liabilities. It is thus the part of current assets that is not reserved to meet short-term borrowings and can therefore be used in procurement, production and sales processes.
Working capital = Total inventory plus trade receivables minus trade payables

Working capital to revenue
Return on capital employed to generate revenue.
(Average) working capital to revenue = relationship between (average) working capital and revenue.
The average is calculated by adding the opening and closing balances, and dividing this figure by two.

Write-down
Scheduled or one-off write-downs indicating the impairment of an asset. The impairment test in fiscal 2009 resulted in the write-down of goodwill attributable to the Neuson Kramer subgroup in the amount of EUR K 89,540 and a write-down in the amount of EUR K 10,798 attributable to the Neuson brand – a constituent part of the Wacker Neuson name (total impairment losses of EUR 100.3 million). This one-off, non-cash write-down was reflected in the in-come statement. The portion of the write-down attributable to brand impairment was reversed in fiscal 2011. → Write-up

Write-up
This involves making an upward adjustment to the carrying value of an asset. If the impairment test reveals that the reasons for the write-down of an asset in a previous accounting period no longer prevail, IAS 36 provides for the reversal of impairment up to the maximum amount of the historic cost under other intangible assets (brands, technologies, customer pool). This reversal is recognized in the income statement. IAS 36 specifically prohibits the reversal of impairment losses for goodwill. → Write-down

10-Year Comparison

IN € MILLION

	2016	2015	2014	2013	2012	2011
Revenue	1,361.4	1,375.3	1,284.3	1,159.5	1,091.7	991.6
Revenue Europe	1,020.7	979.3	921.7	826.2	776.4	723.9
Revenue Americas	291.9	348.5	323.7	297.2	276.2	231.0
Revenue Asia-Pacific	48.9	47.5	38.9	36.1	39.1	36.7
EBITDA	157.4	171.3	196.3	153.4	141.7	162.6
Depreciation and amortization	69.3	67.7	60.1	58.6	56.8	38.8
Of which one-off impairment write-ups/write-downs from impairment	–	–	–	–	-0.8	10.8
EBIT	88.1	103.6	136.2	94.7	84.9	123.8 (113.0)[7]
EBT	81.4	97.5	130.1	88.0	77.8	120.3 (109.5)[7]
Profit after minority interests	56.8	66.2	91.5	61.2	54.1	85.8 (77.7)[7]
Number of employees	4,792	4,632	4,372	4,157	4,096	3,514
R&D ratio (incl. capitalized expenses) as a %	3.4	3.2	3.2	3.1	3.1	3.1
Share						
Earnings per share in €	0.81	0.94	1.30	0.87	0.77	1.22
Dividend per share in €[5]	0.50	0.50	0.40	0.30	0.50	0.17
Book value at Dec. 31 in €	15.50	15.17	14.42	13.34	13.04	12.84
Closing price at Dec. 31 in €	15.42	14.23	16.96	11.49	10.35	9.55
Market capitalization at Dec. 31	1,081.2	998.1	1,189.2	805.6	725.9	669.8
Key profit figures						
Gross profit margin as a %[6]	27.6	28.0	29.7	30.4	30.4	32.6
EBITDA margin as a %	11.6	12.5	15.3	13.2	13.0	16.4
EBIT margin as a %	6.5	7.5	10.6	8.2	7.8	12.5 (11.4)[7]
Net return on sales (ROS) as a %	4.2	4.8	7.1	5.3	5.0	8.7
Key figures from the balance sheet						
Balance sheet total	1,580.9	1,552.2	1,447.6	1,322.4	1,344.8	1,214.3
Return on assets (ROA) as a %	3.7	4.4	6.7	4.6	4.3	7.0
Equity before minority interests	1,087.2	1,064.1	1,011.7	935.5	914.7	901.1
Equity ratio before minority interests as a %	68.8	68.6	69.9	70.7	68.0	74.3
Return on equity (ROE) as a %[7]	5.3	6.4	9.4	6.6	6.1	9.0
Net financial debt	205.8	199.1	179.5	177.2	214.2	90.4
Net financial debt/EBITDA	1.3	1.2	0.9	1.2	1.5	0.6
Gearing as a %	18.9	18.7	17.7	18.9	23.4	10.0
Working capital	569.3	574.5	532.2	453.1	456.8	370.5
Average working capital as a % of revenue	42.0	40.2	38.4	39.2	37.9	32.2
Capital employed	1,039.5	1,011.6	941.5	852.7	866.2	721.1
ROCE I as a %	8.6	10.6	15.2	11.0	10.8	17.5[7]
ROCE II as a %	6.0	7.3	10.8	7.7	7.6	12.5[7]
Weighted average cost of capital (WACC)	6.8	7.1	7.1	7.1	7.5	7.5
Economic value added (EVA)	-7.9	1.1	32.4	5.1	0.7	32.1
Cash flow						
Cash flow from operating activities	131.1	131.0	106.8	131.1	13.6	43.6
Cash flow from investment activities	-102.4	-113.2	-85.3	-75.9	-99.9	-105.5
Investments	107.0	118.4	90.3	86.8	104.0	114.0
Cash flow from financing activities	-36.1	-6.6	-23.0	-57.4	88.8	42.6
Free cash flow	28.7	17.8	21.5	55.2	-86.3	-61.9

[1] Pro-forma Group revenue amounted to EUR 979.5 million (Neuson Kramer Baumaschinen AG consolidated for the first time on October 1, 2007).
[2] In brackets: Adjusted to reflect restructuring costs (EUR 9.6 million).
[3] Adjusted to reflect restructuring costs (EUR 9.6 million) and write-downs on intangible assets in the amount of EUR 100.3 million.
[4] Including deferred taxes in the amount of EUR -2.7 million (in conjunction with write-downs on brand value – intangible assets).
[5] The Dividend proposal for the AGM on May 30, 2017 will be EUR 0.50 again.
[6] Since 2010, expenses for service technicians are reported in the income statement under cost of sales (instead of sales and service expenses).
[7] Adjusted for impairment write-ups/write-downs from impairment.
[8] On a pro-forma basis 2007 (revenue: EUR 979.5 million; profit (after minority interests): EUR 72.8 million; balance sheet date Dec. 31, 2007).
[9] The item “Interest received” has been transferred from cash flow from investment activities to cash flow from operating activities.

2010	2009	2008	2007
757.9	597.0	870.3	742.1[1]
558.6	465.7	676.2	520.7
168.1	103.1	166.9	196.1
31.2	28.2	27.2	25.3
77.8	27.2 (36.7)[2]	100.9	117.0
41.1	140.3	43.0	38.1
–	-100.3	–	–
36.7	-113.1 (-3.2)[3]	58.0	78.9
32.7	-115.5 (-5.6)[3]	55.7	78.2
23.9	-110.1 (-2.9)[3,4]	37.4	54.1
3,142	3,059	3,665	3,659
3.3	4.0	3.0	2.9
0.34	-1.57	0.53	1.1
0.00	0.19	0.50	0.62
11.84	11.25	12.96	12.98
13.00	8.20	6.19	14.62
911.8	575.1	434.2	1,025.4
31.6	30.8	33.7	38.1
10.3	4.6 (6.2)[2]	11.6	15.8
4.8	-18.9 (-0.5)[3]	6.7	10.6
3.2	-18.4 (-2.1)[4,7]	4.4	7.3
1,030.2	971.7	1,178.6	1,214.5
2.5	-1.1[4,7]	3.2	7.5
830.6	789.0	909.1	910.4
80.6	81.2	77.1	75.0
3.0	-1.5	4.2	8.2[8]
13.7	-24.9	59.0	-43.1
0.2	-0.9	0.6	-0.4
1.7	-3.2	6.5	-4.7
269.3	217.9	303.9	271.5
32.1	43.7	33.1	29.0
572.8	489.8	588.1	486.7
6.9	-2.4[7]	10.8	23.1[8]
5.2	-1.9[7]	7.4	15.8[8]
7.9	8.1	7.6	–
-14.1	-54.1	-1.3	24.3
44.9	138.3	38.1[9]	55.0
-85.2	-38.1	-16.4[9]	-141.8
85.0	43.4	101.8	84.0
-10.3	-53.0	-21.9	96.4
-38.8	100.6	23.4	62.1

Publishing Details/ Financial Calendar

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Financial Calendar

March 16, 2017	Publication of annual report 2016, press conference on financial results, Munich
May 11, 2017	Publication of first-quarter report 2017
May 30, 2017	AGM, Munich
August 8, 2017	Publication of half-year report 2017
November 9, 2017	Publication of nine-month report 2017

Disclaimer

This report contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of Wacker Neuson SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in anyway guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside the Company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. The Company neither plans nor undertakes to update any forward-looking statements.

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