

Report by the Supervisory Board

Dear Shareholders,

The Wacker Neuson Group remained on its growth path in 2019. Revenue rose 11 percent relative to the prior-year period to reach another new record high of around EUR 1.9 billion. All three regions under review reported growth, which shows that the Group's products meet the varying needs of its customers in different regions. In contrast, however, the Group was unable to meet its targets for profit and net working capital. In response to this, the Executive Board approved a program for reducing costs and improving efficiency in January 2020 to ensure it achieves its Strategy 2022 goals.

The management and all employees of the Wacker Neuson Group showed great personal dedication, passion and commitment in 2019, making a valuable contribution to the company's continued development. The Supervisory Board would like to thank all employees and the Executive 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 and supervised management activities. The Supervisory Board maintained continuous dialog with the Executive Board regarding business development and corporate strategy and was directly involved in all major decisions regarding the company.

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

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



Hans Neunteufel
Chairman of the Supervisory Board

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

In addition, the Executive Board presented the Supervisory Board with monthly reports on key financial indicators. Furthermore, the Chairman of the Supervisory Board maintained regular contact with the Executive Board, ensuring a continuous flow of information on the current business and financial situation of the Group and its 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 2019

Seven plenary meetings of the Supervisory Board were held in fiscal 2019. One of these sessions was conducted by telephone. The Presiding Committee met twice and the Audit Committee met on four occasions. In two cases, the Supervisory Board voted by means of a written resolution. The Audit Committee did this in one instance.

The Supervisory Board engaged regularly with the day-to-day business of the Wacker Neuson Group and with planning activities at executive level. Discussions focused in particular on global economic developments and their 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. Executive Board matters were also on the agenda on a regular basis.

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

In an extraordinary (telephone) meeting on February 7, 2019, the Supervisory Board discussed plans for the Group to acquire a minority share in a sales partner and passed a resolution regarding this.

At the Supervisory Board meeting to approve the financial statements on March 12, 2019, following appropriate preparations by the Audit Committee, the Supervisory Board focused on examining the Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report of Wacker Neuson SE and of the Wacker Neuson Group, the non-financial Group report, as well as related party disclosures for fiscal 2018. In its session immediately before the Supervisory Board meeting, the Audit Committee discussed these documents in detail with the Executive Board, raising numerous questions with the auditing company representative present at the meeting, and discussing these issues at length. This took place in addition to the Supervisory Board's regular examinations as part of its own preparation for the meeting to approve the financial statements. On the basis of this, the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report were approved. The appropriation of net profit suggested by the Executive Board was also approved in this meeting together with the AGM agenda, the Supervisory Board report and the non-financial Group report. The Supervisory Board additionally approved the placement of a further promissory note (Schuldschein). In addition, this meeting covered the realignment of spare parts logistics, the purchase of a tract of land in Serbia and an assessment of the findings from the Supervisory Board efficiency audit.

On May 2, 2019, the Supervisory Board discussed the forthcoming quarterly report at length. In addition, the Supervisory Board discussed alignment of the logistics organization for new equipment in Germany. Compliance issues and an ongoing legal dispute were also on the agenda.

The meeting held on August 2, 2019 focused on the forthcoming publication of the half-year report for 2019 as well as the resolution for availing of certain balance sheet exemptions for various affiliates and the company's potential obligation to carry the associated loss. The meeting also focused again on the relocation of the logistics organization for new equipment in Germany. In addition to this, measures to reduce inventory and also potential M&A projects were discussed. Further items on the agenda included the possible construction of a new production plant in Serbia and current HR matters.

On October 15, 2019, the Supervisory Board met for its annual strategy meeting, which was held in this instance at the new production plant in China. The Supervisory Board discussed company strategy with the Executive Board and was informed about business developments, in particular in China.

The meeting held on November 5, 2019 focused on the overall business situation and, in particular, the forthcoming publication of the quarterly report. Further items on the agenda included financing of the business in North America and resolutions regarding the closure of smaller sales affiliates outside of Germany.

During its meeting on December 12, 2019, the Supervisory Board focused on examining the Executive Board's business plan proposed for fiscal 2020, as well as on medium-term and financial planning. Supervisory Board members not only assessed the plans, but also discussed the associated opportunities and risks in detail with the Executive Board, particularly against the backdrop of the unpredictable global economic climate. Submission of the updated declaration of compliance with the German Corporate Governance Code was also on the agenda. In addition to this, the Supervisory Board looked at the business situation in North America, focusing in particular on financing alternatives for sales in the region. The meeting also covered the Group's financing concept and completion of efforts to wind up the former production facility in the Philippines. Furthermore, Executive Board matters were on the agenda.

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

Work performed by the Supervisory Board committees in fiscal 2019

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

At a meeting on March 11, 2019, the Supervisory Board Audit Committee prepared the Supervisory Board's resolution on the adoption of the Annual Financial Statements and the Consolidated Financial Statements for the year ending December 31, 2018. The committee also discussed the appropriation of net profit suggested by the Executive Board, related party disclosures and the non-financial Group report. In addition, the committee discussed the independence and appointment of an auditor, and submitted a recommendation in that regard to the Supervisory Board during its plenary meeting. The Supervisory Board, in turn, followed this recommendation and proposed the same auditor at the AGM. The provision of certain non-audit services by the auditor was also discussed. The internal audit reports and the risk report were also on the agenda.

At its meetings held on May 2, August 2 and November 5, the Audit Committee primarily dealt with publication of the pending quarterly reports. It additionally focused on the work performed by the internal audit department. Furthermore, the committee looked at various matters relating to finance, controlling and risk management. In the meetings on May 2 and August 2, the Supervisory Board also discussed the selection and appointment of an auditor for fiscal 2020. The meeting on August 2 also focused on the appointment of an external auditor for the non-financial Group report. The meeting on November 5 also covered the mandatory EMIR audit in line with Section 32 WpHG ("Wertpapierhandelsgesetz"; German Securities Trading Act).

In two meetings held on October 23 and December 4, 2019, the Presiding Committee focused on various Executive Board matters and prepared corresponding resolutions for the Supervisory Board.

Changes in the composition of executive bodies

There were no changes to the composition of the executive bodies of the company in 2019.

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

Corporate governance

Both the Supervisory Board and the Executive Board are aware that sound corporate governance is essential to protect shareholder interests and secure the company's long-term success. The Supervisory Board continuously monitored the further development of the German Corporate Governance Code and kept up to date with the capital market and corporate legislative framework. The Executive Board and the Supervisory Board issued an updated declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG on December 12, 2019 for the period under review. The entire declaration is permanently available on the company's website and is also included in the declaration on corporate governance pursuant to Section 289f HGB in combination with Section 315d HGB, which can be found online and in the Annual Report.

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

Annual and Consolidated Financial Statements for 2019

At the AGM on May 29, 2019, the company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("Ernst & Young") of Stuttgart, Germany, was appointed official auditor for the company and Group for fiscal 2019. Before the Supervisory Board made its proposal to the AGM, based in turn on the recommendation by the Audit Committee, the auditing company submitted written confirmation to the Chairman of the Audit Committee that there are no circumstances that could compromise its independence as an auditor or give rise to doubts about its independence. Ernst & Young also specified the scope of services other than the audit of annual financial statements performed

on behalf of the company over the previous fiscal year. The Chairman of the Audit Committee engaged the company in writing with the task of auditing the financial accounting procedures.

The Annual Financial Statements for the company for the year ending December 31, 2019 prepared by the Executive Board in accordance with HGB, and the Consolidated Financial Statements for the company for the year ending December 31, 2019 prepared by the Executive Board in line with the International Financial Reporting Standards (IFRS) as adopted by the EU, and in supplementary compliance with the disclosures required under Section 315a HGB, were audited by Ernst & Young along with the books. The audit did not give rise to any reservations, so an unqualified audit opinion was issued for both the Annual Financial Statements and the Consolidated Financial Statements.

Each member of the Supervisory Board received the audit documents for appraisal in good time. Together with the Audit Committee, the entire Supervisory Board undertook a thorough examination of the Annual Financial Statements as well as the Consolidated Financial Statements, the Combined Management Report for the company and the Group and the related party disclosures in conjunction with the audit reports. The documents were discussed in detail at the Audit Committee and Supervisory Board plenary meetings on March 11 and 12, 2019 respectively, with the Executive Board and – during the Audit Committee meeting – with the auditor. The auditor attended the Audit Committee consultations, reported on the main findings of their audit and answered questions from Supervisory Board members. After its own close examination of the documents, the Supervisory Board raised no objections and endorses the results of the audit report. The Supervisory Board also approves the Consolidated (Group) Management Report and, in particular, the forecast regarding the company's further development.

The final examination by the Supervisory Board did not lead to any reservations. On March 9, 2020, the Supervisory Board therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the company and the Group as prepared by the Executive Board for the year ending December 31, 2019. The 2019 Annual Financial Statements have thus been duly approved. The Supervisory Board further examined the Executive Board's suggested appropriation of profit for fiscal 2019, in particular with regard to the dividend payment policy, impact on Group liquidity and shareholder interests. It did not raise any objections and, in line with the Audit Committee's recommendation, thus gives its unqualified consent to the proposal.

The Supervisory Board also examined the non-financial Group report for 2019 in line with Section 315b HGB. Ernst & Young had been previously tasked with auditing the non-financial Group report to obtain limited assurance in line with the International Standard on Assurance Engagements (ISAE) 3000, and correspondingly prepared and submitted its report to the Supervisory Board. The Supervisory Board received the result of the limited assurance engagement undertaken by Ernst & Young and, following its own in-depth examination, concluded that the Group's non-financial report fulfills the appropriate requirements and there are no grounds for objection.

Examination of the Executive Board report on related party disclosures

The Executive Board prepared a report on related party disclosures for fiscal 2019. The Executive Board states in particular that – to the best of its knowledge and based on the information known to it at the time the transactions were entered into – appropriate compensation was received by Wacker Neuson SE in respect of all transactions outlined in the related party disclosures report. As the official auditor, Ernst & Young examined the related party disclosures report and issued the following auditor's opinion:

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

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

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

On behalf of the entire Supervisory Board, I would like to thank all employees for shaping the development and success of our Group through their daily dedication.

Munich, March 10, 2020

On behalf of the Supervisory Board

Hans Neunteufel
Chairman of the Supervisory Board