Wacker Neuson Group
Quarterly report Q3/2018

November 8, 2018, unaudited

Foreword

Wilfried Trepels (CFO) Martin Lehner (CEO) Alexander Greschner (CSO)

Highlights Q3/2018

Revenue +10% on previous year

- Growth in all regions and business segments
- Revenue from compact equipment for the agricultural sector +21% on previous year

Profitability slightly below prior-year level

Limited material availability and plant restructuring measures in the US and Asia dampened gross profit (margin: 28.2%, -1.3PP on previous year) and EBIT (margin: 9.9% ,-0.7PP on previous year)

Revenue and earnings guidance for 2018 confirmed

Dear Ladies and Gentlemen,

In the third quarter of 2018, the Wacker Neuson Group continued to build on its success from the first half of the year. Strong demand in our core markets and high levels of acceptance for our products fueled a 10-percent rise in revenue.

Bottlenecks in our global supply chain continued to have a dampening effect. Limited material availability significantly impacted production flows in our production plants and we are working with our suppliers on a daily basis to improve the situation.

Guided by our Strategy 2022, we are well on the way to making the Group a much more streamlined and agile organization. Recent key initiatives here included the closure of our US production plant in Michigan and our plant in the Philippines. Shutting down these sites and integrating the production lines into existing facilities – a process which is still ongoing – has had an additional impact on productivity. However, focusing on eight production plants instead of ten will help us reduce complexity and achieve sustainable profitability gains in the medium term.

Our order books are well filled and the most important target markets for our Group continue to develop positively. We have confirmed the revenue and earnings guidance for full-year 2018 that we published back in March.

Best regards,

The Executive Board team of Wacker Neuson SE

Key figures

Q3/18		
Revenue yoy +10% (€ 416 m)	EBIT yoy +3% (margin: 9.9%)	Adj. EBIT yoy -4% (margin: 9.9%)
Op. CF € 10 m (Q3/17: € 61 m)	FCF € -3 m (Q3/17: € 51 m)	EPS € 0.39 (Q3/17: € 0.41)

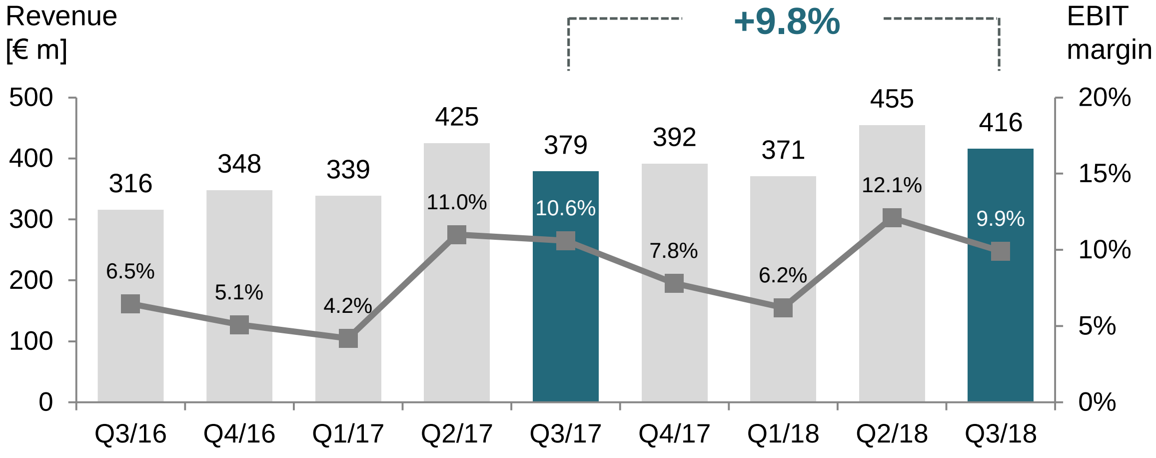
9M/18		
Revenue yoy +9% (€ 1,241 m)	EBIT yoy +18% (margin: 9.6%)	Adj. EBIT yoy +11% (margin: 9.6%)
Op. CF € -26 m (9M/17: € 75 m)	FCF € 9 m (9M/17: € 53 m)	EPS € 1.73 (9M/17: € 1.01)

September 30, 2018		
NWC[1] ratio: 38.6% (+1.1 PP yoy)	DIO[2]: 152 days (+2 days yoy)	Equity ratio: 65.6% (-1.2 PP yoy)

[1] Net working capital / annualized revenue for the quarter.
[2] Days inventory outstanding = (inventory / annualized cost of sales for the quarter)*365 days.

Revenue and earnings

Q3/18: Revenue continues to grow



Income statement (condensed)

€ m	Q3/18	Q3/17	9M/18	9M/17
Revenue	415.8	378.7	1,240.9	1,142.4
Gross profit	117.4	111.9	350.6	326.3
as a % of revenue	*28.2%*	*29.5%*	*28.3%*	*28.6%*
Op. costs incl. other income/expenses	-76.3	-71.9	-231.3	-225.3
as a % of revenue	*-18.4%*	*-19.0%*	*-18.6%*	*-19.7%*
EBIT	41.1	40.0	119.3	101.0
as a % of revenue	*9.9%*	*10.6%*	*9.6%*	*8.8%*
Adj. EBIT[1]	41.1	42.6	119.3	107.6
as a % of revenue	*9.9%*	*11.2%*	*9.6%*	*9.4%*
Profit for the period	27.1	28.3	121.2	71.0
EPS (in €)	0.39	0.41	1.73	1.01

Q3/18: Comments

Revenue +9.8% yoy (adj. for FX effects: +10.4%)

- Continued high demand in core markets of Europe and North America
- Limited material availability had a negative impact

Gross profit +4.9% yoy (gross profit margin -1.3 PP)

- Limited material availability impacted productivity at production plants
- Plant closures in the US and Philippines and the associated relocation of production lines dampened productivity further

EBIT +2.8% yoy (EBIT margin: -0.7 PP)

- Operating costs increased by 6.1%; their share of revenue decreased by 0.6 PP
- A 9.1% rise in selling expenses caused by higher business volume and increased personnel expenses had a negative impact

Earnings per share -4.9% yoy

- Financial result below the previous year at € -2.6 m: Negative FX effects (€ -2.4 m yoy), in particular due to the devaluation of currencies in several emerging economies, slight increase in interest income (€ +0.2 m yoy)
- Tax rate increased slightly to 29.6% (Q3/17: 28.5%)

[1] Expenses for one-off effects and restructuring measures in the amount of € 2.6 m (9M/17: € 6.6 m) were recognized in Q3/17. Adj. EBIT reflects these effects.

Business development by region and business segment

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Q3/18: Growth in all regions

Revenue [€ m]

	Revenue [€ m]	share	yoy	EBIT[1]
Europe	307.0	74%	+10%	47.2
Americas	97.7	23%	+11%	-3.6
Asia-Pacific	11.1	3%	+10%	-1.3
Total Q3/18	415.8	100%	+10%	41.1

Q3/18: Rapid growth in the compact equipment segment

Revenue [€ m][2]

	Revenue [€ m][2]	share	yoy
Light Equipment	108.4	25%	+6%
Compact equipment	223.8	53%	+14%
Services	91.8	22%	+6%
Total Q3/18	415.8	100%	+10%

Q3/18: Comments

Revenue Europe +9.5% yoy (adj. for FX effects: +10.3%)

- Strong momentum in particular in England (marked growth with excavators and dumpers) as well as in France, Poland and Austria; recovery momentum continued in Southern Europe
- Revenue from compact equipment for the agricultural sector +21% on previous year, signing of new John Deere dealers

Revenue Americas +10.6% yoy (adj. for FX effects: +10.1%)

- Strong growth in worksite technology (esp. generators and light towers)
- Skid steer loaders proved to be a key product and sales driver for other compact equipment
- Rental chains show high level of investment activity
- Downturn in business in South America due to political uncertainties

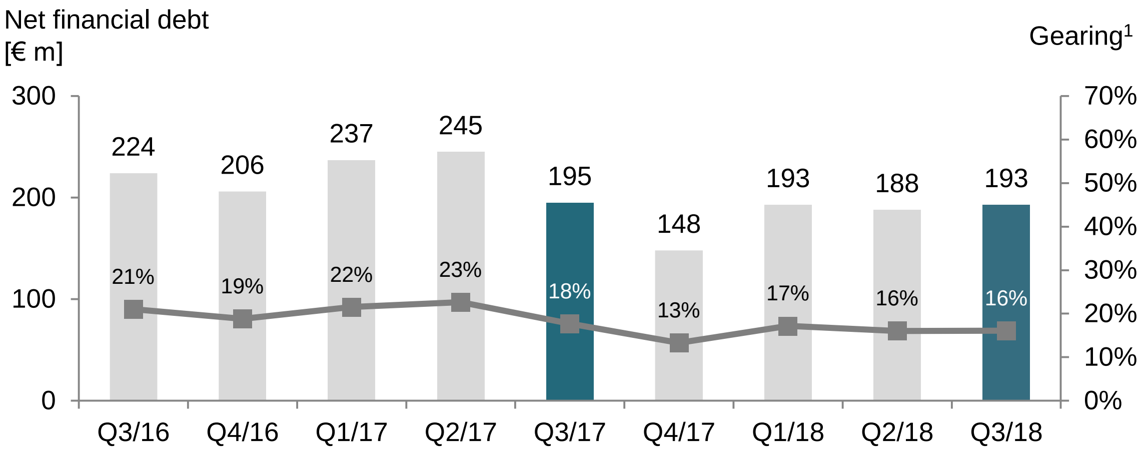
Revenue Asia-Pacific +9.9% yoy (adj. for FX effects: +14.9%)

- Positive development in particular with excavators in China
- Production at new plant in Pinghu (near Shanghai) started according to plan

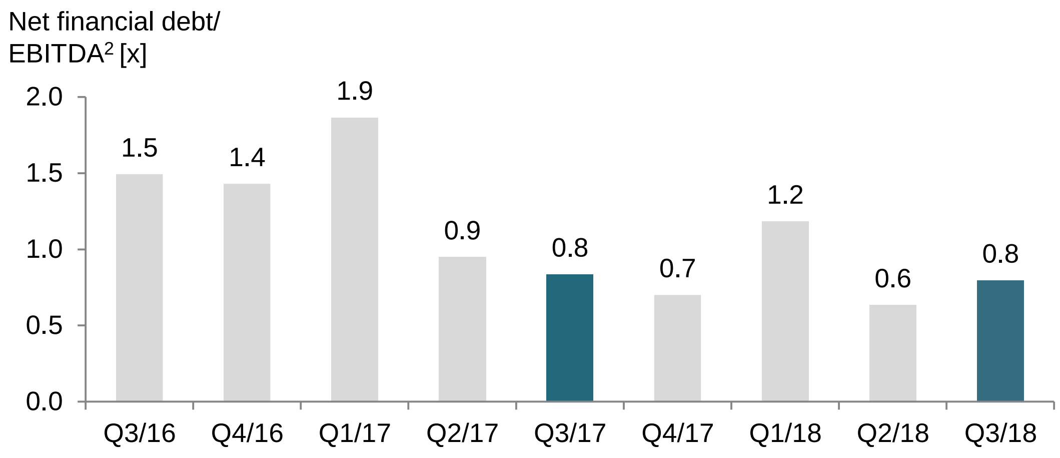
[1] EBIT for regions before consolidation.
[2] Revenue by business segment before cash discounts.

Sound balance sheet structure

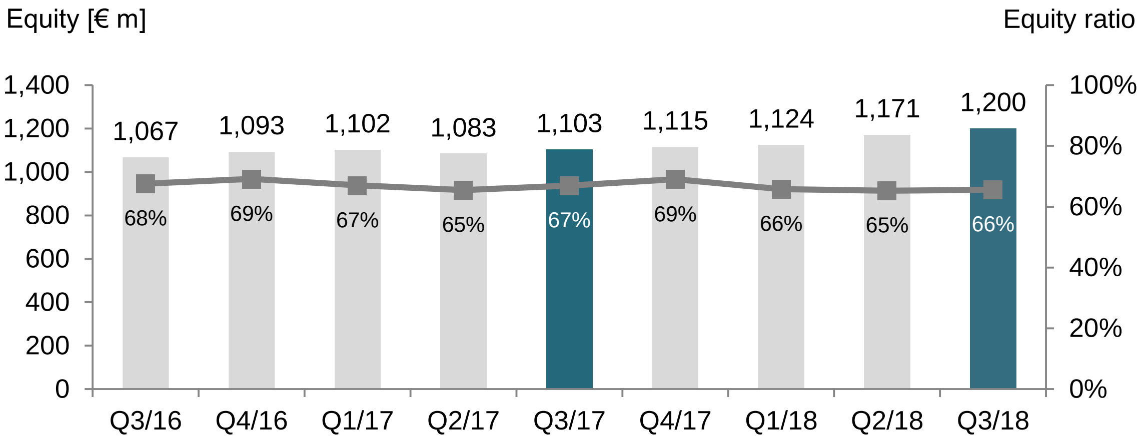
Gearing[1] further reduced yoy



Net financial debt/EBITDA[2] at low level



Stable equity ratio



Comments

- At 16%, gearing[1] remains at a conservative level
- Net financial debt/EBITDA remains at a low rate
- Healthy financing structure provides framework for winning market shares and driving further profitable growth

[1] Net financial debt/equity.
[2] Net financial debt/annualized EBITDA for the quarter.

Bottlenecks in supply chain continued to have dampening effect

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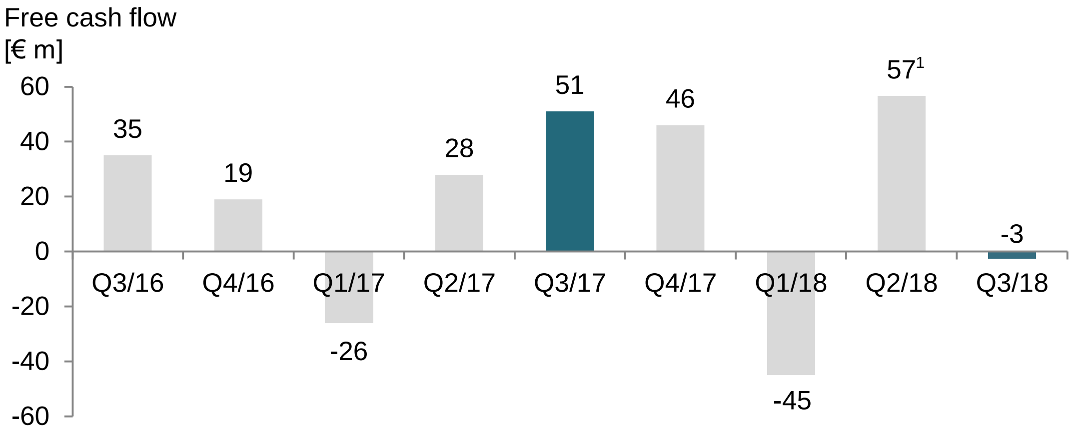
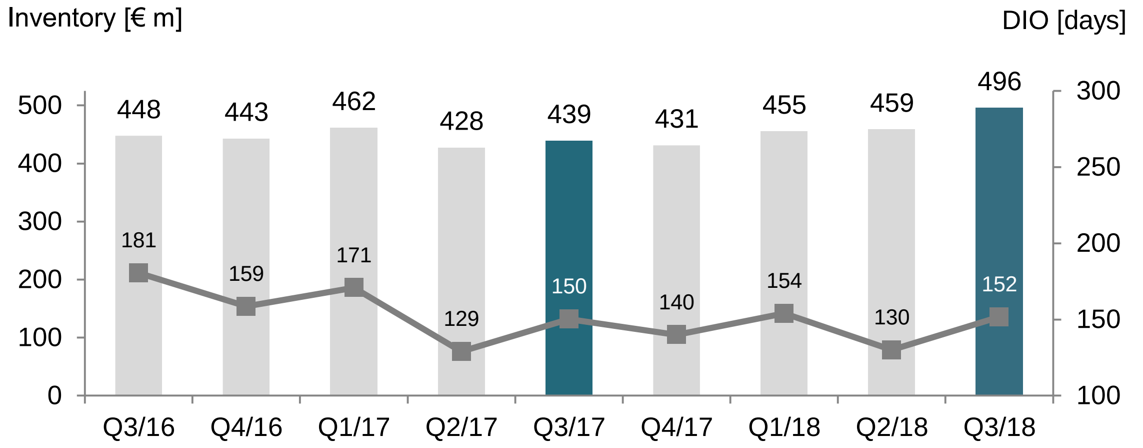
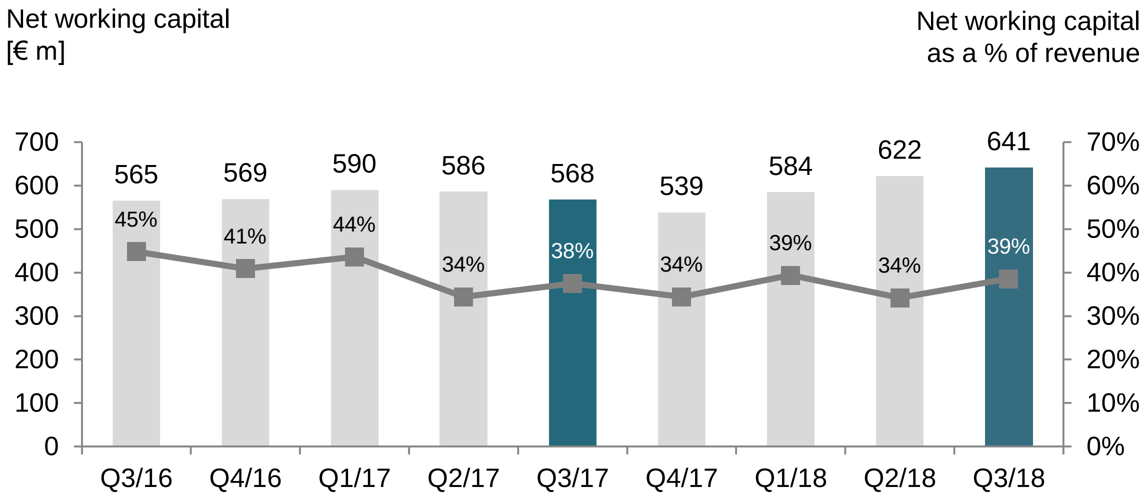
Significant negative impact on free cash flow



Days inventory outstanding (DIO) slightly higher at 152 days



Net working capital ratio 1 PP above prior-year level



9M/18: Comments

- At € -25.8 m, cash flow from operating activities after nine months is negative (9M/17: € 74.8 m); causes for this are:
  - Increased net working capital (€ -100.0 m; 9M/17: € -26.6 m):
    - Increased number of unfinished machines due to delivery delays caused by bottlenecks in the supply chain, stocking up on pre-buy engines, more conservative inventory strategy for raw materials and supplies
    - Increase in trade receivables due to higher business volume and strong revenue in September
  - Increased investments in the Group's flexible rental business, expansion of the dealer network in the US and the resulting rise in financing solutions
- Free cash flow[1] at € 8.8 m after nine months (9M/17: € 52.7 m)

[1] Includes one-off proceeds of € 60.0 m from the sale of a real-estate company owned by the Group in Q2/18.

Strategy 2022 – Progress in Q3/18

CUSTOMER CENTRICITY

+ Expansion of dealer network in China
+ Strategic partnership with Deutsche Leasing in China concluded

ACCELERATION

+ Streamlining the internal value chain
  - Integration of European logistics function into the European light equipment production plant complete
  - Closure of US logistics company and transfer of its logistics function to the US sales company in preparation for Q1/19
+ Reorganization of procurement completed

FOCUS

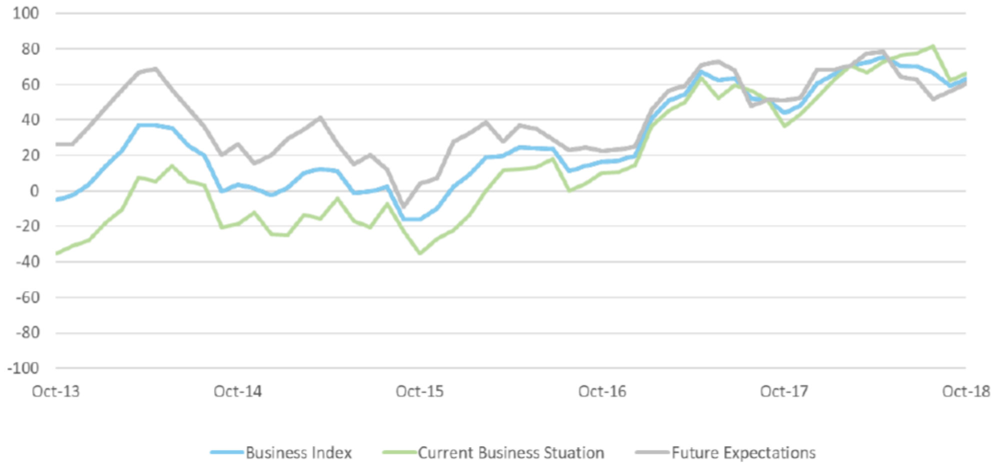
+ OEM partnership with John Deere covering mini and compact excavators concluded
+ Closure and sale of plant in Norton Shores, MI, US
+ Closure of plant in Manila, Philippines

EXCELLENCE

+ Dual view dumpers production ramps up => UK market launch in Q4
+ Wacker Neuson is a founding partner of the *Construction Equipment Forum*, which aims to connect companies in the global value chain

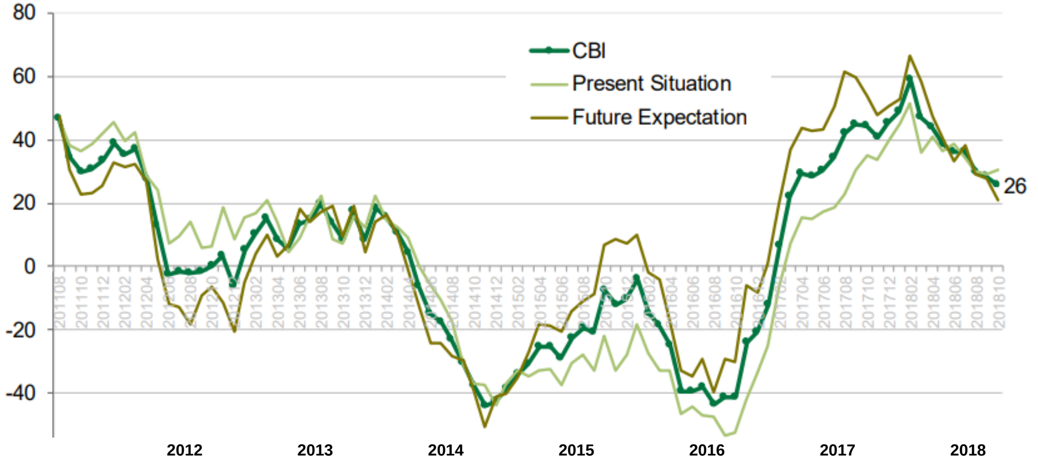
Outlook for 2018

Business index for construction has recently improved again



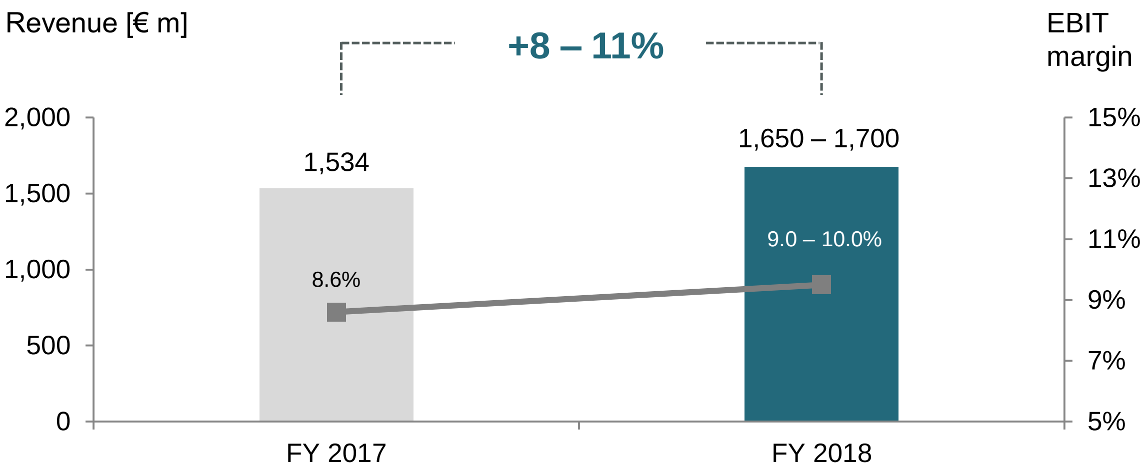
Source: CECE, October 2018.

Business index for the ag sector continues its downward trend



Source: CEMA, October 2018.

Revenue and earnings guidance for 2018 confirmed



Comments

- Business index (CECE) for the construction industry picks up again in October after four months in decline
- Expectations in the agricultural sector have cooled significantly according to CEMA
- Order intake for compact equipment remains at a high level
- Revenue and earnings guidance for full-year 2018 confirmed; net working capital as a percentage of revenues expected to be slightly higher than in the previous year
- Continued risk of delayed deliveries due to bottlenecks in the supply chain

Consolidated Financial Statements

(unaudited)

Consolidated Income Statement

Wacker Neuson Group

IN € MILLION

	Q3/18	Q3/17	9M/18	9M/17
Revenue	415.8	378.7	1,240.9	1,142.4
Cost of sales	-298.4	-266.8	-890.3	-816.1
Gross profit	**117.4**	**111.9**	**350.6**	**326.3**
Sales and service expenses	-52.6	-48.2	-158.8	-148.6
Research and development expenses	-7.5	-8.0	-26.2	-26.8
General administrative expenses	-17.8	-17.6	-55.5	-56.0
Other income	2.0	2.5	10.0	7.5
Other expenses	-0.4	-0.6	-0.8	-1.4
Profit before interest and tax (EBIT)	**41.1**	**40.0**	**119.3**	**101.0**
Income from the sale of a real-estate company	–	–	54.8	–
Financial income	1.9	0.9	7.4	2.1
Financial expenses	-4.5	-1.3	-15.3	-6.0
Profit before tax (EBT)	**38.5**	**39.6**	**166.2**	**97.1**
Taxes on income	-11.4	-11.3	-45.0	-26.1
Profit for the period	**27.1**	**28.3**	**121.2**	**71.0**
Of which are attributable to:				
Shareholders in the parent company	27.1	28.8	121.2	71.0
Minority interests	–	-0.5	–	–
	27.1	28.3	121.2	71.0
Earnings per share in € (diluted and undiluted)	**0.39**	**0.41**	**1.73**	**1.01**

In H1/17, currency effects resulting from the valuation of a net investment in a foreign affiliate were recognized in the financial result and not under other income. This has been corrected (for further information on this, refer to the notes to the half-year report 2018). In conjunction with this, financial income and expenses for Q3/17 were also adjusted.

Consolidated Balance Sheet

IN € MILLION

	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
Assets			
Property, plant and equipment	292.3	292.0	296.6
Property held as financial investment	26.0	26.8	27.0
Goodwill	237.7	237.4	237.5
Intangible assets	138.1	125.6	124.4
Deferred tax assets	33.5	40.5	41.5
Other non-current financial assets	52.4	29.9	28.4
Other non-current non-financial assets	12.9	4.9	4.6
Total non-current assets	**792.9**	**757.1**	**760.0**
Rental equipment	**151.7**	119.5	124.9
Inventories	495.9	431.4	439.3
Trade receivables	304.3	235.1	248.7
Tax offsets	1.6	6.5	7.7
Other current financial assets	7.1	8.3	6.9
Other current non-financial assets	21.8	16.6	16.7
Cash and cash equivalents	53.5	27.3	38.2
Non-current assets held for sale	–	14.1	6.9
Total current assets	**1,035.9**	**858.8**	**889.3**
Total assets	**1,828.8**	**1,615.9**	**1,649.3**

	Sept. 30, 2018	Dec. 31, 2017	Sept. 30, 2017
Equity and liabilities			
Subscribed capital	70.1	70.1	70.1
Other reserves	588.5	582.3	586.3
Retained earnings	541.5	462.4	446.0
Equity attributable to shareholders in the parent company	1,200.1	1,114.8	1,102.4
Minority interests	–	–	–
Total equity	**1,200.1**	**1,114.8**	**1,102.4**
Long-term financial borrowings	211.4	155.0	154.9
Deferred tax liabilities	31.0	31.6	32.0
Long-term provisions	50.7	54.7	52.6
Total non-current liabilities	**293.1**	**241.3**	**239.5**
Trade payables	**158.8**	128.0	120.4
Short-term borrowings from banks	35.2	20.3	78.0
Current portion of long-term borrowings	–	–	–
Short-term provisions	16.7	16.9	18.6
Tax liabilities	2.8	1.0	0.4
Other short-term financial liabilities	43.0	32.7	26.8
Other short-term non-financial liabilities	79.1	60.9	63.2
Total current liabilities	**335.6**	**259.8**	**307.4**
Total liabilities	**1,828.8**	**1,615.9**	**1,649.3**

As of the 2017 annual financial statements, rental equipment is reported under "Current assets" (previously reported under “Property, plant and equipment”). Prior-year values have been adjusted accordingly.

Consolidated Cash Flow Statement

Wacker Neuson Group

IN € MILLION

	Q3/18	Q3/17	9M/18	9M/17
EBT	**38.5**	**39.6**	**166.2**	**97.1**
Adjustments to reconcile profit before tax with gross cash flows:				
Depreciation and amortization of non-current assets	10.2	9.9	29.9	29.6
Unrealized foreign exchange gains/losses	-1.9	4.0	-0.2	13.6
Financial result	2.6	0.4	7.9	3.9
Gains from the sale of intangible assets and property, plant and equipment	–	0.5	-3.4	-0.9
Income from the sale of a real-estate company	–	–	-54.8	–
Changes in rental equipment, net	-6.2	1.0	-30.5	-20.5
Changes in misc. assets	-14.1	-2.7	-34.6	-17.3
Changes in provisions	-0.4	1.5	-1.7	3.5
Changes in misc. liabilities	5.7	2.8	17.9	12.5
Gross cash flow	**34.4**	**57.0**	**96.7**	**121.5**
Changes in inventories	-35.7	-17.7	-62.4	-16.7
Changes in trade receivables	16.4	21.0	-67.4	-44.6
Changes in trade payables	1.1	7.1	29.8	34.7
Changes in net working capital	**-18.2**	**10.4**	**-100.0**	**-26.6**
Cash flow from operating activities before income tax paid	16.2	67.4	-3.3	94.9
Income tax paid	-6.7	-6.8	-22.5	-20.1
Cash flow from operating activities	**9.5**	**60.6**	**-25.8**	**74.8**

	Q3/18	Q3/17	9M/18	9M/17
Cash flow from operating activities	**9.5**	**60.6**	**-25.8**	**74.8**
Purchase of property, plant and equipment	-8.5	-5.5	-23.7	-16.2
Purchase of intangible assets	-9.4	-4.4	-21.5	-11.6
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	5.7	0.3	19.8	5.7
Proceeds from the sale of a real-estate company	–	–	60.0	–
Cash flow from investment activities	**-12.2**	**-9.6**	**34.6**	**-22.1**
Free cash flow	**-2.7**	**51.0**	**8.8**	**52.7**
Dividends	–	–	-42.1	-35.1
Cash receipts from short-term borrowings	–	3.2	–	68.4
Repayments from short-term borrowings	-1.5	-41.0	-16.6	-182.9
Cash receipts from long-term borrowings	–	–	81.4	124.9
Repayments from long-term borrowings	–	–	–	–
Interest paid	-2.0	-1.2	-7.1	-8.0
Interest received	1.0	0.6	2.3	1.8
Cash flow from financial activities	**-2.5**	**-38.4**	**17.9**	**-30.9**
Change in cash and cash equivalents	-5.2	12.6	26.7	21.8
Effect of exchange rates on cash and cash equivalents	-0.2	-0.4	-0.5	-1.2
Change in cash and cash equivalents	**-5.4**	**12.2**	**26.2**	**20.6**
Cash and cash equivalents at the beginning of the period	58.9	26.0	27.3	17.6
Cash and cash equivalents at the end of period	**53.5**	**38.2**	**53.5**	**38.2**

Some items in the consolidated cash flow statement have been adapted compared with the previous year. For further information on this, refer to pages 18 and 22 in the 2018 half-year report.

Consolidated Segmentation

Wacker Neuson Group

Geographical segments

IN € MILLION

Q3	Europe		Americas		Asia-Pacific		Consolidation		Group	
	Q3/18	Q3/17	Q3/18	Q3/17	Q3/18	Q3/17	Q3/18	Q3/17	Q3/18	Q3/17
Total revenue	522.8	465.5	224.5	206.8	15.8	13.9			763.1	686.2
Revenue third party	307.0	280.3	97.7	88.3	11.1	10.1			415.8	378.7
EBIT[1]	47.2	40.0	-3.6	-0.1	-1.3	-3.2	-1.2	3.3	41.1	40.0
EBIT margin[2] (as a %)	*15.4*	*14.3*	*-3.7*	*-0.1*	*-11.7*	*-31.7*			*9.9*	*10.6*

IN € MILLION

9M	Europe		Americas		Asia-Pacific		Consolidation		Group	
	9M/18	9M/17	9M/18	9M/17	9M/18	9M/17	9M/18	9M/17	9M/18	9M/17
Total revenue	1,628.3	1,457.2	671.9	649.7	61.6	42.1			2,361.8	2,149.0
Revenue third party	906.2	836.0	299.5	273.1	35.2	33.3			1,240.9	1,142.4
EBIT[1]	133.9	111.0	-1.6	1.5	-3.5	-6.1	-9.5	-5.4	119.3	101.0
EBIT margin[2] (as a %)	*14.8*	*13.3*	*-0.5*	*0.5*	*-9.9*	*-18.3*			*9.6*	*8.8*

Business segments

IN € MILLION

	Q3/18	Q3/17	9M/18	9M/17
Segment revenue third party				
Light equipment	108.4	102.5	338.5	326.0
Compact equipment	223.8	196.4	673.8	601.0
Services	91.8	86.7	251.4	234.3
	424.0	385.6	1,263.7	1,161.3
Less cash discounts	-8.2	-6.9	-22.8	-18.9
Total	415.8	378.7	1,240.9	1,142.4

Revenue in the Services segment includes period-specific revenue from flexible rental solutions for equipment and accessories. The average rental period is typically short term, averaging approximately 14 days.

[1] Before consolidation.
[2] EBIT margin on revenue third party.

Financial calendar and contact

November 8, 2018	**Publication of nine-month report 2018**
November 12, 2018	Roadshow, Frankfurt
November 15, 2018	HSBC Luxembourg Day, Luxembourg
November 16, 2018	Roadshow, Cologne/Düsseldorf
December 4, 2018	Berenberg European Corporate Conference, Pennyhill (UK)
December 6, 2018	Family Office Capital Day, Vienna
January 10/11, 2019	ODDO BHF Forum, Lyon
January 22, 2019	Kepler Cheuvreux German Corporate Conference, Frankfurt
March 14, 2019	**Publication of the 2018 Annual Report**

Disclaimer

This report contains forward-looking statements which are based on current estimates and assumptions made by corporate management at Wacker Neuson SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from 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 market players. The Company neither plans nor undertakes to update any forward-looking statements.

Contact

Wacker Neuson SE

IR Contact: +49 - (0)89 - 354 02 - 427

ir@wackerneuson.com

www.wackerneusongroup.com