Contents Group Management Report

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Group Management Report

I. About Wacker Neuson

- **Global leader in light and compact equipment**
- **International sales, consulting, and support network**
- **EBITDA as a key benchmark of performance**

The Wacker Neuson Group develops, manufactures and distributes high-quality light and compact equipment to support and optimize customer construction processes around the globe. Wacker Neuson is the partner of choice among professional users in mainstream construction, gardening, landscaping and agriculture, as well as for municipal bodies and the industrial and recycling sectors. The Group now offers these customers over 300 product categories and extensive rental, spare parts and repair services.

Wacker Neuson has more than 180 sales and service stations in over 30 countries and currently around 5,200 dealerships in more than 12,400 locations, resulting in a dense consulting and support network. Our main aim is to complement our broad offering of high-quality products with the best possible service.

The Wacker Neuson Group organizes its products and services into three business segments:

- Light equipment with four business fields that are aligned with our customers' business processes:
  - Concrete technology
  - Soil and asphalt compaction
  - Demolition
  - Utility
- Compact equipment
- Services with two business fields:
  - After-market (repair and maintenance)
  - Rental (Central and Eastern Europe)

The majority of products from our light and compact equipment segments are distributed under the "Wacker Neuson" brand. In the Europe region, we also distribute all-wheel drive wheel loaders and telescopic handlers from the compact equipment business segment under the "Kramer Allrad" brand, as well as articulated wheel loaders for the agricultural industry under the "Weidemann" brand. In the rest of the world, all Group products are "Wacker Neuson" branded.

This Group Management Report reflects the results of the Wacker Neuson Group's global activities in fiscal 2008.

Organizational and legal structure

Wacker Neuson SE is a European company 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.

On June 3, 2008, the AGM resolved to rename the Company "Wacker Neuson SE" and change its legal form to a European company ("Societas Europaea"). The new company was entered in the Register of Companies on February 18, 2009. The legal charter of Wacker Neuson SE remains almost identical to that of Wacker Construction Equipment AG.

Consolidated Financial Statements of the Wacker Neuson Group are prepared in accordance with the International Financial Reporting Standards (IFRS). Forty-two companies, including the parent company, are fully consolidated in these statements. Furthermore, we have direct or indirect majority holdings in seven smaller companies which do not have a significant impact on Wacker Neuson's business either individually or collectively.

Wacker Neuson SE is the largest operating company in the Wacker Neuson Group and thus assumes a central role in the Group. As the parent company, it holds the shares in the members of the Wacker Neuson Group directly or indirectly and is represented in Germany through approximately

70 controlled sales and service stations. The parent company's Executive Board is responsible for managing the Group. As a rule, the executive bodies of the affiliates report directly to Group management.

Our segment reporting is divided into primary reporting by region (Europe, Americas and Asia) and secondary reporting by business segment (light equipment, compact equipment and services).

With the exception of our affiliates Kramer-Werke GmbH, Weidemann GmbH and Drillfix AG, which retain their original names, all significant operating affiliates now trade under the common name of "Wacker Neuson".

Corporate governance and value management

To guarantee an effective internal controlling system, the Wacker Neuson Group controlling department manages and monitors deviations between 'to be' and 'as is' figures from affiliates primarily based on their EBIT margins along with the development and tracking of necessary measures, and prepares the consolidated monthly reports for the Executive Board. Project decisions relating to changing market and customer requirements are taken by various committees composed of members of the Executive Board, plus representatives from company management, research and development, product management, quality management, service, and strategic procurement.

Due to our high level of investment activity in fiscal 2008 to secure our lasting growth, profit before interest, tax, depreciation and amortization (EBITDA) is an important indicator of company performance. Investments in expanding our rental pool in Central and Eastern Europe, in particular, initially result in high depreciation. Alongside ongoing rental income, the sale of rental equipment also makes a – delayed – contribution to earnings here. Rented light equipment is usually sold after an average of two to four years, compact equipment after an average of six.

II. General background

Overall economic trends

- Global downturn in 2008
- Overall economic climate negatively impacted by global financial and credit crisis
- German economy on the brink of recession in second half of the year according to experts

The global economic climate deteriorated significantly during the course of 2008, with numerous industries experiencing a downturn at the end of the year. Joint surveys by leading economic research institutes have listed the following factors that – in addition to the global financial and credit crisis – compounded this situation: a worldwide rise in inflation fuelled by raw material prices, high energy prices, substantial real estate market price adjustments in numerous countries, and appreciation of the euro. Towards the end of the year, the outlook for the growth regions of Central and Eastern Europe, Russia, Latin America, Australia and Asia was also clouded. According to a report by the IMF (International Monetary Fund) published in February 2009, global GDP rose by 3.4 percent in 2008 (previous year: 5.2 percent) with world trade volume projected to grow at 4.1 percent (previous year: 7.2 percent).

GDP

Real change from previous year in %	2008	2007
Germany	1.3	2.5
Europe (Western and Central Europe)	1.4	2.9
Russia	6.3	8.1
USA	1.1	2.0
China	9.4	11.5
Japan	0.2	2.1

Source: Joint report from leading research institues

Changes key currencies against Euro
(Annual average rates)

1 Euro equals	2008	2007	Change in %
US dollar (USD)	1.4741	1.3790	+ 6.9%
British pound (GBP)	0.8038	0.6873	+ 17.0%
Swiss franc (CHF)	1.5786	1.6461	- 4.1%
Japanese yen (JPY)	151.4825	162.0433	- 6.5%

Source: Notes to the Consolidated Financial Statements

Economic developments in the US were particularly hard hit by the banking and subprime crisis, leading above all to increased unemployment and a drop in equipment and residential construction investments. Demand for goods from abroad also fell significantly throughout the course of the year. This was further compounded by the US dollar's considerable drop in value in the first six months of the year. According to experts, US GDP rose by 1.1 percent in real terms (previous year: 2.0 percent). Economic growth in 2008 only slowed slightly in Canada and Latin America. Brazil, Chile and Argentina in particular remained dynamic due to a number of reasons, including healthy domestic demand.

Economic experts report that emerging economies in Asia initially followed a stable, robust growth path in 2008, which leveled out toward the end of the year. Expansion levels in China slowed only slightly. Here, the GDP estimate is 9.4 percent (previous year: 11.5 percent). In Japan, experts predict a drop in exports for the first time in three years due to a decrease in demand from the US and Europe. Real GDP growth is estimated at just 0.2 percent (previous year: 2.1 percent). In contrast, India is expected to have maintained a healthy rate of expansion, with a 7 percent real increase in GDP (previous year: 9 percent). Economic performance also remained strong in East Asia, with experts reckoning with an estimated real GDP growth of 4.5 percent (previous year: 5 percent).

The economic climate cooled dramatically in Europe over the course of the year. Developments on finance and real estate markets slowed growth in all euro-zone countries. The aggregated GDP growth rate in the European Union (EU) totaled 1.4 percent in real terms (previous year: 2.9 percent), and 0,9 percent in the euro zone (previous year: 2.6 percent). In Western Europe, export growth in particular declined, and GDP failed to increase any further. 2008 saw the end of years of economic upturn in Spain and Great Britain. Prosperous economies in Eastern European EU member states also started to slag. Ifo predicted a real GDP growth rate of 4.6 percent here. GDP in Russia rose significantly during the first half of 2008, only to slow down toward the end of the year. Real GDP is expected to have grown by 6.3 percent (previous year: 8.1 percent).

The substantial downturn in growth in the German economy during 2008 was due in part to the appreciation of the euro plus a drastic drop in demand for capital equipment from abroad and a resultant fall in investment activities. A period of growth in the first half of the year was followed by a period of decline in the subsequent six months. The German Federal Statistical Office reports that the economy grew overall by just 1.3 percent (previous year: 2.5 percent).

Overview of construction and agricultural industries

- **Global economic downturn has long-term impact on national construction industries**
- **Construction industries in the US and Europe particularly affected**
- **Following strong start to year, German construction industry faces increasingly pronounced drop in orders**

The pronounced global economic downturn resulting from the subprime crisis also had a negative impact on national construction industries in 2008. US and European construction companies in particular have felt the long-term effects. The change in market dynamics led to increased competition in these regions.

Falling real estate prices in the US squeezed residential construction investment. The Association of Equipment Manufacturers (AEM) expects an 8.6 percent drop in US sales for 2008. For equipment weighing up to 3 tons (light equipment), the association is reckoning with a drop of 10.7 percent. Fewer building permits were issued and construction projects started for single-family houses in 2008. The U.S. Census Bureau reported a 22.8 percent year-on-year drop in residential construction investment at the end of November. In contrast, investments in non-residential and industrial construction rose by 9.2 percent over the same period. Total construction investment volume over the year was thus down 3.3 percent. At the end of November, residential construction accounted for 39.1 percent of total investment volume, and the non-residential and industrial segment for 60.9 percent.

Construction remained buoyant in Asia in 2008. The Olympic Games in Beijing fuelled construction investments in China. The construction sector in India also experienced an upturn, although growth rates slowed here towards the end of the year in comparison with the previous year.

In Europe, the mild 2007/2008 winter meant that a large number construction investment projects were pulled forward. According to the Euroconstruct network, the crisis hit the Western European construction market full force mid 2008. As a result, the number of building permits issued – an early indicator of construction demand – fell in many euro-zone countries. Revenue generated by the European construction industry was down 2.5 percent in 2008 (previous year: up by 2.0 percent).

The European non-residential segment increased slightly, driven by commercial and underground construction, which was up 1.4 percent in 2008. Euroconstruct experts forecast a rise in European underground projects of around 2 percent, making 2008 the twelfth consecutive year of expansion in this segment. The European housing market deteriorated considerably during the course of the year. Value adjustments on real estate dampened construction activity and investments. Spain, Great Britain and Ireland in particular experienced a drop in new housing developments, as well as falling prices and increasing numbers of empty apartments and houses. Euroconstruct thus anticipates a downturn of 6.9 percent in European residential construction for 2008. The construction industry in Eastern Europe grew, fuelled by a number of factors including EU subsidies as well as public funds aimed at extending infrastructure. Measures here include the expansion of road, rail and telecommunications networks.

The mild winter in Germany was a key driver of construction investments during the first quarter of 2008. According to industry federations, revenue generated by the construction industry from January through October was up 7.3 percent on the same period for the previous year, primarily fuelled by commercial and public construction projects and investments. However, the construction industry in Germany followed a moderate growth path overall during 2008 due to the global downturn. Leading economic institutes expect construction investments to increase by a total of 2 percent and investments in residential construction to rise by 1.5 percent.

Euroconstruct reports a 2 percent rise in underground construction in Germany as a result of infrastructure projects. At the start of November, the German Association of Machinery and Plant Construction (VDMA) still anticipated revenue in construction and building materials to rise 8.6 percent to EUR 16.6 billion for 2008. However, order intake in the construction equipment sector in particular fell dramatically throughout the course of the year, with domestic orders for construction equipment dropping by more than 40 percent in November 2008.

Agricultural industry continues to gain in importance in 2008

Over the last few years, the agricultural industry has gained in importance worldwide. As the world's population increases, so does the need for food. This in turn drove demand for agricultural machinery in 2008, an effect particularly felt in Europe, South America and emerging economies in Asia. The rising importance of biofuels, in other words sourcing energy from renewable raw materials, is also accentuating this trend.

The structural shift in the agricultural industry is also playing a key role here, in particular in Eastern Europe. Agricultural operations are constantly decreasing in number while simultaneously becoming larger and more industrialized – a trend that is fuelling demand for machinery. The German agricultural machinery market has also seen double-digit growth rates over the last years. High demand for agricultural products has led German farmers to purchase new agricultural equipment. Simultaneously, producer prices (for example for cereals) reached new heights at the start of 2008. In the US, however, prices for foodstuffs such as corn and wheat fell, while prices for fertilizer and animal feed rose.

General legal framework

- **Protection for users and the environment**
- **Compliance with applicable regulations**
- **Integration of new regulations in process flows**

As a global manufacturer and provider of light and compact equipment, Wacker Neuson must observe numerous national and international statutory guidelines governing environmental and user protection. These include provisions regulating exhaust gas emissions, ergonomics, noise and vibration-induced impact. There are many European directives and regulations in this area.

At Wacker, we implement new regulations and always aim to integrate these promptly in our process flows. During the period under review, we again ensured that new user and statutory requirements, such as environmental and user protection guidelines, were promptly integrated in our business processes. The Wacker Neuson WM 80 two-stroke engine used in our gasoline vibratory rammers and breakers is a prime example here. We significantly reduced the engine's emissions levels, thus ensuring that it meets all current emissions guidelines worldwide. By reducing its hydrocarbon emissions (HC) by over 70 percent and carbon monoxide (CO) emissions by more than 50 percent, the engine is now well within the requirements set down in the August 2008 EU emissions directive. The requisite modifications to the engine's exhaust system and cylinder resulted in increased research and development costs as well as outlay for adjusting our production processes in the US.

In the year under review there were no changes to the legal or regulatory framework that had a major impact on business development.

Competitive position

- **Focus on light and compact equipment**
- **Continued leading position in the international construction industry**
- **Additional pillar through business activities in the agricultural industry**

There were no meaningful changes to the heterogeneous competitive landscape surrounding the Wacker Neuson Group during fiscal 2008. In our assessment, the majority of our competitors offers product ranges that focus exclusively on either light or compact equipment, in most cases only on individual lines within these product fields.

Developments on international construction markets led to a drop in order intake for almost all our competitors during the second half of 2008. Several manufacturers have reacted to the current situation by closing production sites and laying off staff, for example, or initiating and announcing similar measures. The competitive landscape in the compact equipment segment changed over the course of 2008. French manufacturer Manitou acquired its US competitor Gehl Company. Through this acquisition, Manitou hopes to gain access to the US market and benefit from the demand for compact equipment for the construction and agricultural industries there.

Over the past fiscal year, the Wacker Neuson Group maintained its strong position against both international competitors and local providers. We continue to concentrate exclusively on light and compact equipment, differentiating ourselves clearly from DIY and heavy equipment suppliers. Our customers are predominantly active in non-residential construction. Again, around 70 percent of our products were used primarily in new developments and infrastructure repairs, including underground and roadwork, non-residential and overground projects, and work on energy, water and telecommunications services.

Deployment scenarios

Conditions for our products	Non-residential/ residential construction
North America	65/35
South America	70/30
Europe	70/30
Asia	90/10
Oceania	60/40

February 2009

As a mid-sized company, we back up our high product and service standards with state-of-the-art production facilities, in-depth development and manufacturing know-how and an efficient sales network. This solid foundation has enabled a number of our products to achieve an excellent market position worldwide.

The acquisition of the Weidemann Group in fiscal 2005 expanded the Wacker Neuson Group's reach to certain segments within the agricultural machinery market. Weidemann GmbH's strong performance has enabled it to maintain its position as a leading provider of articulated wheel loaders for the agricultural industry in Central Europe. Our Kramer-Werke GmbH affiliate also develops and manufactures equipment for the agricultural industry – in this case telescopic handlers, which are distributed by CLAAS Global Sales GmbH, a German agricultural machinery supplier under the CLAAS brand.

The highly fragmented nature of the global construction equipment market and lack of official statistics prevents us from providing a detailed and meaningful overview of market shares.

III. Business development in fiscal 2008

- Difficult market conditions impact business trends in the Wacker Neuson Group
- Stable performance in agricultural machinery
- Revised sales and EBITDA forecast reached

With the October 2007 merger with Neuson Kramer behind us, fiscal 2008 turned out to be a year of integration and market penetration. The first full fiscal year for the Wacker Neuson Group started with business developing as anticipated. While our service offering remained popular throughout the year, demand for light and compact construction equipment fell steadily over the course of the year as a knock-on effect of the showdown in construction markets in the US and Europe. In July, we responded to this downturn by revising our sales forecast and margin for profit before interest, tax, depreciation and amortization (EBITDA) – originally before purchase price allocation – and succeeded in surpassing our adjusted goals through a consistent cost control policy.

Long-term growth remains the focus of our strategies

The reporting period witnessed important progress in the implementation of our forward-looking growth strategy. Our main focuses here were on measures resulting from the merger with Neuson Kramer. These included the launch of compact equipment in selected countries through our existing sales and service network, the expansion of rental business in Central and Eastern Europe by stocking our rental pool with products from our own production lines and modifying the color of light and compact equipment to align with the new corporate design.

We forged ahead with the regional expansion of the Wacker Neuson Group and improved both the distribution system and the service offering in line with market demands. In the light equipment and compact equipment segments, we launched various new products and enhanced our product portfolio to meet evolving customer needs. Wacker also made internal process improvements, for example in production and logistics, reducing sales, research, development and administration costs expressed as a percentage of revenue to 27.0 percent (previous year: 28.2 percent).

Overall, we were thus successful in exploiting the market opportunities as arose under the prevailing economic and construction climate. We managed to expand our market position, thanks to a strong business model that is built on strong innovative drive, high product, rental and service quality, reliable spare parts business, efficient business processes, integrated customer care through our decentralized sales and service network, and, last but not least, quality-driven market leadership.

Unsatisfactory results

Due to the sluggish global economy and the sharp downturn on international construction markets in the US and Western Europe, we adjusted our earnings projections downwards towards the middle of the year. Actual results aligned with these adjusted figures. As anticipated, product sales in the light equipment segment remained below the previous year's level as a consequence of the US subprime crisis, which began to have an impact in the fourth quarter of fiscal 2007. Unit sales of light equipment thus dropped sharply in the US and particularly in Western European countries, such as Spain and Great Britain, where rental chains form the bulk of our customer base. Revenue losses also resulted from the increased severity of last winter in comparison with the previous year and further devaluation of the US dollar.

On target[1]

	Target 2008	Actual 2008
Sales in € million	min. 870.0	870.3
EBITDA margin in %	min. 11.0	11.6
Capital expenditure in € million	appr. 100.0	101.8
Net financial debt	appr. 50.0	59.0

[1] After purchase price allocation (PPA)

In contrast, the lively demand experienced by the compact equipment business segment in the previous year continued into the spring. However, this demand fell steadily over the second half of 2008, with market trends strongly impacting customer order patterns.

To compensate for falling demand, we introduced a series of cost-cutting measures over the course of the year to keep selling expenses, R&D expenses and administrative costs in line with dwindling sales figures. Price increases also helped to counter market trends. We increased light equipment prices everywhere but the US by 3 percent from January 1, 2008. In the compact equipment business segment, we increased prices for Weidemann GmbH products by an average of 4.5 percent from January 1, 2008, due to higher material prices – raw materials included. Effective January 1, 2008, we increased the prices of wheel loaders and telescopic handlers by 3 percent and, effective April 1, 2008, we increased the prices of excavators, skid-steer loaders and dumpers by between 1.5 and 4.0 percent.

At the beginning of 2008, we anticipated that sales for the Wacker Neuson Group would break the billion-euro mark and aimed to achieve profit before interest, tax, depreciation and amortization (EBITDA) following purchase price allocation with a margin of at least 17 percent. These estimates were based on plans made in the run-up to the IPO in May 2007. Although steady growth in sales in the early months of the year gave us reason to stick to this forecast, we responded to changing market dynamics and the threat of a business downturn towards the middle of the year and revised our forecast on July 31, 2008, aiming for sales of at least EUR 870 million and an EBITDA margin following purchase price allocation of at least 11 percent. This forecast was achieved through consistent cost management.

In fiscal 2008, the Wacker Neuson Group recorded sales growth of 17.3 percent to EUR 870.3 million (previous year: EUR 742.1 million) as a result of the merger. EBITDA following purchase price allocation fell 13.7 percent from EUR 117.0 million to EUR 100.9 million. The EBITDA margin following purchase price allocation thus amounted to 11.6 percent (previous year: 15.8 percent).

Lively demand for agricultural products from Weidemann GmbH

Our affiliate Weidemann GmbH enjoyed positive results last year. Sales grew 27.0 percent from EUR 84.7 million to EUR 107.5 million as a result of brisk demand from the agricultural industry. Our business also benefited from the tendency towards larger holdings and the associated rise in rationalization investments.

Acquired in 2006, Ground Heaters, Inc., a leading player in the North American market for portable hydronic heating equipment for the construction industry with headquarters in Spring Lake, Michigan, US, was integrated in the business of the Group's American affiliate, Wacker Neuson Corporation, during the course of the year and is no longer reported separately.

Our merger partner Neuson Kramer was consolidated for the first time on October 1, 2007. Fiscal 2008 was therefore the first fully integrated fiscal year. The Neuson Kramer subgroup felt in particular the effects of falling demand for compact equipment in the second half of 2008. Sales (Expenditure Format) over the entire fiscal year nonetheless increased 2.5 percent from EUR 329.9 million (for the period from February 1 through December 31, 2007) to EUR 338.2 million. Profit before interest, tax, depreciation and amortization (EBITDA) fell 19.7 percent to EUR 47.0 million (previous year: EUR 58.6 million). This corresponded to an EBITDA margin of 13.9 percent (previous year: 17.8 percent).

Key figures Neuson Kramer subgroup

in € K	2008	2007[1]
Sales	338,199	329,924
EBITDA	47,040	58,591
EBIT	40,274	54,511
Profit before discontinued operations and minority interests	26,470	35,617

[1] 11 months only (February 1–December 31)

New affiliate in India

During the first quarter of 2008, our new affiliate, Wacker Neuson Equipment Private Ltd., opened according to plan. Headquartered in Bangalore, India, this affiliate will work with several sales and service stations across the country to distribute the company's extensive product and service offering.

Construction work successfully completed

All Wacker Neuson Group construction work was completed as planned. Our European training center at the Reichertshofen production site and new manufacturing plant in Manila (Philippines) commenced operations at the start of 2008, close behind completion of the new Weidemann GmbH plant in Korbach in November 2007. The Manila plant significantly expands our production capacity, allowing us to meet medium-term growth in demand on the Asian market quickly and efficiently.

The second quarter saw completion of the facilities in both Pfullendorf (Germany) and Norton Shores (US) ahead of the scheduled production start-up date. Products manufactured in Norton Shores include portable hydronic heating equipment and light towers. The investment volume totaled around USD 10.0 million. If necessary, this production plant can be expanded to meet future increases in demand.

Our affiliate Kramer-Werke GmbH's new plant in Pfullendorf supplies wheel loaders and telescopic handlers with all-wheel steering. The new site has more than doubled the production capacity of the previous Kramer site in Überlingen. The Wacker Neuson Group earmarked over EUR 30 million for investment in the new 30,000 m^2 production site, approximately EUR 20 million of which was spent in 2008.

In Munich, demolition of old factory facilities was completed, making space for the new research and development center and company headquarters. Construction work began in July 2008 and will be completed in stages between now and 2011.

At its meeting on July 4, 2008, the Supervisory and Executive Boards jointly resolved to purchase a site in the Austrian district of Hörsching, in close proximity to Linz airport. This could potentially be used for a new manufacturing plant to replace the previous production facility. The company has not yet decided whether to proceed with the construction work.

At a Supervisory Board meeting on November 6, 2008, the Executive and Supervisory Boards resolved to close their production plant in Tredegar (Wales, Great Britain) due to the downturn in demand for four-wheel dumpers. The Group is transferring production from Tredegar to its plant in Linz (Austria). This process will be completed in spring 2009 and the Group company Wacker Neuson Rhymney Ltd. will then be dissolved. The shutdown in Wales resulted in around 90 job losses and costs of approximately EUR 1 million. Group management took care to devise socially responsible solutions for the staff affected by the layoffs.

Key resolutions at the 2008 AGM

During the AGM on June 3, 2008 in Munich, shareholders approved the proposal of the Executive and Supervisory Boards to change the company's legal form to a Societas Europaea (SE) and its name to Wacker Neuson SE. The necessary legal steps to execute this were taken during the course of the fiscal year. The name was entered in the German Register of Companies on February 18, 2009.

The shareholders also approved the proposal to pay out a dividend of EUR 0.27 along with a bonus of EUR 0.23, which brings the total to EUR 0.50 per eligible share (for a total number of 70.14 million eligible shares) compared with EUR 0.62 last year (for a total of 39.15 million eligible shares). In total therefore, the company will be paying out EUR 35.07 million (previous year: EUR 24.27 million). Executive and Supervisory Board members' actions were officially approved for fiscal 2007.

Dividend per share in €
(for fiscal year)

2008	2007	2006	2005
0.19[1]	0.50	0.38	0.27

[1] Dividend payment proposed at the AGM on May 28, 2009

Active capital market communication and share trends

In fiscal 2008, the Executive Board regularly made an active effort to keep stakeholders updated on current company developments. They accomplished this through a variety of channels, including the AGM, investor conferences and national and international roadshows. Our Internet presence was expanded for analysts and investors. Share price trends in 2008 reflected current developments on the international financial markets. While our share was listed at EUR 14.62 at the start of the year, it had fallen to EUR 6.19 year-end.

Implementation of an employee stock program

During the course of the year, the Executive and Supervisory Boards resolved to launch an Employee Stock Purchase Plan for employees who did not have the opportunity to purchase discounted stock at the time of the IPO in May 2007. This applies to all employees at non-German affiliates and Kramer-Werke GmbH. All Wacker Neuson Group employees – with the exception of those already able to purchase discounted shares at the IPO – received a net subsidy of 15 percent from their employer on the purchase of company stock. Any applicable income tax and social security contributions payable on that amount are covered by the company. The maximum number of shares subsidized was the same as the employee would have been able to purchase at a discounted rate under the specific limits imposed at the IPO. Around 100 employees availed of this program between November 15 and December 31, 2008. A total of 37,192 shares have thus been purchased under this program.

Additional information[1]

in € million	2008	2008	2008	2007	2007
	without PPA[2]	PPA	with PPA	with PPA[3]	pro-forma with PPA[4]
Sales	870.3	–	870.3	742.1	979.5
EBITDA	102.2	1.3	100.9	117.0	157.4
EBITDA margin as a %	11.7	–	11.6	15.8	16.1
EBIT	64.1	6.1	58.0	78.9	112.6
EBIT margin as a %	7.4	–	6.7	10.6	11.5
Profit for the period	41.9	4.5	37.4	54.1	75.0

[1] You will find more information in the table on pages 128-129.
[2] PPA = Purchase price allocation. Purchase price allocation describes the process where purchase costs resulting from acquisitions are allocated to individually acquired assets, liabilities and contingent liabilities, which are measured at fair value.
[3] Including Q4 Neuson Kramer subgroup (start of consolidation: October 1, 2007)
[4] Pro-forma figures: as if Wacker and Neuson Kramer subgroup had been consolidated for the entirety of fiscal 2007.

IV. Profit, finances and assets

The report on profit, finances and assets covers a total of 42 Group companies including the Group parent, Wacker Neuson SE (previous year: 43).

Following initial consolidation of our merger partner Neuson Kramer on October 1, 2007, the results of Neuson Kramer were consolidated in full for the first time as of the first quarter of 2008. This explanation of profit, finances and assets/liabilities presents the accumulated Wacker Neuson Group financial data for the entire financial year, taking purchase price allocation into account, and contrasts it with Wacker subgroup financial data for fiscal 2007, including fourth-quarter figures from the Neuson Kramer subgroup. For comparison, we also include fiscal 2007 pro-forma figures following purchase price allocation for key indicators, thus presenting the Group as if it had been consolidated for the entirety of fiscal 2007.

In the IFRS consolidated financial statements, the assets of the Neuson Kramer subgroup were realized at fair value as of October 1, 2007 as part of the initial consolidation. This resulted in an increase in the cost of sales under inventories plus increased depreciation and amortization under order volume and technology, for instance. The impact of these changes became effective in fiscal 2008 and are referred to as effects of purchase price allocation in the following.

Results for the previous fiscal year were also influenced by the high levels of Group investment and sales activities. A significant volume of compact equipment from our own production facilities was delivered to the rental and demo fleets of other Group-owned companies. As a result, this equipment did not generate the proceeds that would normally be achieved through sales to external companies in the period under review.

Income Statement 2008
in comparison to 2007 and 2007 pro-forma

in € K	2008	2007	2007
	with PPA	incl. Q4 Neuson Kramer with PPA	pro-forma with PPA
Revenue	870,331	742,062	979,534
Cost of sales	- 576,885	- 459,530	- 633,080
Gross profit	**293,446**	**282,532**	**346,454**
Sales and service expenses	- 156,486	- 140,090	- 153,542
Research and development expenses	- 25,056	- 20,810	- 26,719
General administrative expenses	- 53,487	- 48,289	- 60,505
Other income	11,023	8,421	11,042
Other expenses	- 11,451	- 2,859	- 4,098
Profit before interest and tax (EBIT)	**57,989**	**78,905**	**112,632**
Financial result	- 2,308	- 660	- 2,178
Profit before tax (EBT)	**55,681**	**78,245**	**110,454**
Taxes on income	- 17,576	- 24,142	- 34,928
Profit for the period before minority interests	**38,105**	**54,103**	**75,526**
Minority interests	**- 716**	**23**	**- 484**
Result from discontinued operations	**0**	**0**	**- 3**
Profit for the period	**37,389**	**54,126**	**75,039**
Depreciation and amortization	**42,954**	**38,083**	**44,783**
EBITDA	**100,943**	**116,988**	**157,415**

Profit

- Revenue growth following the merger
- Fall in sales, research, development and administration costs expressed as a percentage of revenue
- Profit affected by market dynamics

Wacker Neuson Group revenue and earnings reflected the adverse market developments in fiscal 2008. Nevertheless, revenue grew 17.3 percent to EUR 870.3 million as a result of the merger (previous year: EUR 742.1 million). Adjusted to discount currency fluctuations, this corresponds to an increase of 20.2 percent. Based on pro-forma figures, sales for the consolidated Group amounted to EUR 979.5 million in 2007.

The cost of sales rose to EUR 576.9 million (previous year: EUR 459.5 million). This is attributable to the merger. Over the course of the year, we were able to absorb the H1 price increases in raw materials, particularly steel, mainly thanks to long-term contracts. Based on pro-forma figures, the cost of sales for the consolidated Group amounted to EUR 633.1 million the previous year.

Gross profit on revenue grew as a result of the merger to EUR 293.4 million (previous year: EUR 282.5 million). The gross profit margin amounted to 33.7 percent (previous year: 38.1 percent). This reduction is attributable to the increased role played by the compact equipment business segment, which typically realizes a lower gross profit margin but also reports lower selling expenses. The margins here are also lower than in the light equipment segment due to a multiple-stage sales system in the agricultural market. Based on pro-forma figures, gross profit for the consolidated Group amounted to EUR 346.5 million in 2007 (gross profit margin: 35.4 percent).

Fall in administrative costs expressed as a percentage of revenue

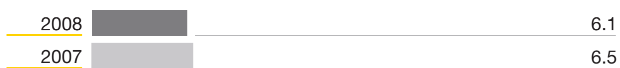
We introduced and implemented cost-cutting measures in the second half of fiscal 2008 to align cost structures with the downturn in business activities. The full impact of these cost-efficiency measures will not be felt till fiscal 2009. Expressed as a percentage of revenue, selling expenses, plus R&D and administrative costs were nevertheless down to 27.0 percent (previous year: 28.2 percent).

Selling expenses rose by 11.7 percent to EUR 156.5 million (previous year: EUR 140.1 million). This increase is attributable to the merger and new hires to support our expanding sales and rental activities, particularly in Eastern Europe. Here it should be noted that the selling expenses as a percentage of revenue have dropped to 18.0 percent for the new merged company relative to the Wacker Group for the same period last year as a result of the dealer network operated by Neuson Kramer (previous year: 18.9 percent). Based on pro-forma figures, sales and service expenses amounted to EUR 153.5 million in the previous year.

Research and development costs were up 20.4 percent to EUR 25.1 million (previous year: EUR 20.8 million) due to the merger. A total of EUR 3,7 million in development costs was capitalized by all manufacturing companies in the past fiscal year. In relation to sales, the R&D ratio rose slightly to 2.9 percent, in comparison with 2.8 percent the previous year. Based on pro-forma figures, the consolidated Group's expenditure in this area amounted to EUR 26.7 million in the previous year.

General administrative costs increased by 10.8 percent to EUR 53.5 million (previous year: EUR 48.3 million) as a result of an increase in the workforce following the merger, the expansion of activities in Eastern Europe and merger costs, including those involved in renaming the affiliates to "Wacker Neuson". Expressed as percentage of revenue, administrative costs were at 6.1 percent (previous year: 6.5 percent). Based on pro-forma figures, the administrative expenses for the consolidated Group amounted to EUR 60.5 million in the previous year.

Administrative expenses
as % of sales



Sales, development and administration costs
as % of sales

The 30.9 percent increase in other operating income to EUR 11.0 million (previous year: EUR 8.4 million) is attributable to a rise in exchange rate gains.

Other operating expenses grew to EUR 11.5 million (previous year: EUR 2.9 million). The difference is attributable to exchange losses of EUR 6 million on the previous year and a value adjustment on real estate held by the English Group member Wacker Neuson Rhymney Ltd.

Profit impacted by downturn in unit sales, stocking of our own rental and demo fleets and purchase price allocation

Taking purchase price allocation into account, profit before interest, tax, depreciation and amortization (EBITDA) fell 13.7 percent from EUR 117.0 million to EUR 100.9 million in spite of the merger. The EBITDA margin amounted to 11.6 percent (previous year: 15.8 percent). Discounting purchase price allocation, EBITDA decreased to EUR 102.2 million (previous year: EUR 119.6 million), resulting in an EBITDA margin of 11.7 percent. The effects of purchase price allocation totaled EUR 1.3 million. Based on pro-forma figures, consolidated EBITDA in the previous year amounted to EUR 157.4 million (EBITDA margin: 16.1 percent).

Depreciation and amortization increased 12.8 percent to EUR 43.0 million (previous year: EUR 38.1 million). This was primarily due to the merger, increased investment in the Central and Eastern European rental business, capacity expansion and purchase price allocation. Based on pro-forma figures, depreciation and amortization for the consolidated Group amounted to EUR 44.8 million in the previous year.

Profit before interest and tax (EBIT) taking purchase price allocation into account dropped 26.5 percent to EUR 58.0 million (previous year: EUR 78.9 million). The EBIT margin dropped to 6.7 percent (previous year: 10.6 percent). The effects of purchase price allocation amounted to EUR 6.1 million. Discounting purchase price allocation, EBIT decreased to EUR 64.1 million (previous year: EUR 90.4 million), corresponding to an EBIT margin of 7.4 percent. Based on pro-forma figures, consolidated EBIT amounted to EUR 112.6 million in the previous year (EBIT margin: 11.5 percent).

Earnings were impacted particularly by exchange rate fluctuations as well as by the effects of the elimination of interim profit and merger costs. The euro's advance against the dollar in comparison with the previous year with an average exchange rate of EUR 1 to USD 1.4741 (previous year: EUR 1 to USD 1.3790) and the exchange rate fluctuations of other currencies had an impact on profit to the tune of 2.6 million.

The financial result amounted to EUR - 2.3 million (previous year: EUR - 0.7 million). This result is attributable to the high volatility of the financial markets and its impact on company investments. Profit before tax (EBT) fell 28.8 percent to EUR 55.7 million (previous year: EUR 78.2 million). Based on pro-forma figures, the consolidated financial result amounted to EUR - 2.2 million in the previous year and EBT was EUR 110.5 million.

Tax expenditure decreased to EUR 17.6 million (previous year: 24.1). The tax ratio increased slightly to 31.6 percent from 30.9 percent the previous year.

Allowing for purchase price allocation, profit for the period amounted to EUR 37.4 million, 30.9 percent below the previous year's result of EUR 54.1 million. The effects of purchase price allocation totaled EUR 4.5 million. Based on pro-forma figures, the consolidated profit amounted to EUR 75.0 million in the previous year.

Based on a weighted average number of ordinary shares in circulation during the period of 70.14 million, earnings per share totaled EUR 0.53 (previous year: EUR 1.10 with 49.2 million shares).

In view of the current market climate's impact on earnings, the Executive and Supervisory Boards of Wacker Neuson SE will propose a dividend of EUR 0.19 per eligible share at the AGM on May 28, 2009 (based on a total of 70.14 million eligible shares). Last year the company paid out EUR 0.50 for each of its eligible shares. In total therefore, the company will be paying out EUR 13.33 million (compared with EUR 35.07 million last year). The distribution ratio pans out at approximately 32 percent based on the Group profit before purchase price allocation in the amount of EUR 41.9 million.

Finances

- Stable liquidity situation within the Group
- Future credit lines and terms confirmed
- Reduction of working capital planned

Financial management at the Wacker Neuson Group strikes a healthy balance between financial security, return on equity and earnings. As part of this policy, we draw on set balance sheet ratios and key indicators to manage our financing needs.

Our aim is to fund day-to-day operations with operative cash flow as far as possible. We invest any financial surplus promptly and securely to capitalize on the prevailing interest rates and use such funds subsequently to finance further growth. For investments, depending on the type in question, we make targeted use of special financing options.

The Wacker Neuson Group uses standard financial instruments such as foreign exchange forward contracts and interest rate swaps exclusively for hedging purposes and to minimize risks. Financial instruments without a corresponding underlying transaction are not carried out.

Liquidity management's main objective is to ensure financial solvency

The main objective of liquidity management is to ensure the financial solvency of the Wacker Neuson Group at all times. To this end, the Wacker Group maintains a cash pool in which almost all its companies participate. The accumulated cash pool balance provides participants with necessary financial resources up to an individually fixed limit. Participants who make positive deposits receive interest equivalent to market conditions for the respective currency.

Cash flow and liquidity

Cash flow from operating activities reached EUR 31.1 million at the end of the fiscal year (previous year: EUR 55.0 million).

Cash flow from investment activities came to EUR - 9.5 million in the reporting period (previous year: EUR - 141.8 million). The following factors in particular contributed to this drop: proceeds from the sale of marketable securities, acquired the previous year for EUR 85.7 million, plus the high level of investment activity. We invested EUR 93.1 million in property, plant and equipment in fiscal 2008 (previous year: EUR 81.6 million). This included both the expansion of the sales and rental station network in Eastern Europe, and the replacement of compact equipment in the rental fleet with high-quality proprietary products, which alone accounted for investments to the sum of EUR 34.0 million. It also reflects ongoing measures to expand capacity at new manufacturing plants in Norton Shores (US) and Pfullendorf (Germany), as well as the construction of a new research and development center in Munich (Germany). When considering these figures, it should be noted that only investments that have been paid are recognized in the cash flow from investment activities. Items from fiscal 2007 that were not paid until fiscal 2008 have been added to investments per fixed asset schedule. Investments per fixed asset schedule, including the merger, amounted to EUR 90.6 million in fiscal 2008 (previous year: EUR 108.1 million).

Investments (extract)

in € million	2008
Expansion of rental business in Central and Eastern Europe	34.0
Construction of new production plant for Ground Heaters, Inc, Norton Shores, USA	6.4
Construction of Kramer Allrad new production plant in Pfullendorf, Germany	34.8
Construction of new research and development center in Munich, Germany	5.5

Cash flow from financing activities totaled EUR - 21.9 million (previous year: EUR 96.4 million). The previous year's figure was primarily due to the issue of new shares generating net proceeds to the value of EUR 165 million. Outlays included dividend payments of EUR 35.3 million and long-term bank-loan repayments amounting to EUR 5.4 million, accompanied by new, short-term loans to the value of EUR 19.1 million.

Free cash flow totaled EUR 23.4 million in the last fiscal year (previous year: EUR 62.1 million). Free cash flow is made up of cash flow from operating activities, and from investment activities without changes to the consolidation structure, plus amounts accruing from the issue of new shares including the costs of raising capital. Cash holdings fell in 2008 from EUR 38.8 million to EUR 37.3 million.

Statement of free cash flow changes

in € K	2008	2007
Cash flow from operating activities	31,133	54,980
Cash flow from investment activities	- 9,469	- 141,754
Change in consolidation structure	+ 1,771	- 10,572
Costs of procuring capital	- 69	- 5,582
Issue of new shares	0	+ 165,000
Free cash flow	**23,366**	**62,072**

Current liquidity needs can be met through a combination of our own liquid assets and the credit lines extended to Wacker Neuson by credit institutes. At the closing date, less than half of all short- and long-term credit lines had been drawn.

Despite the current financial crisis, the Group still has sufficient credit lines from German and international credit institutions to meet future liquidity requirements. These can be drawn on as and when required. The distribution of total borrowings among multiple banks means we are not dependent on individual lenders. This is an effective response to financial market uncertainty, guarding us against the risk of collapse of a credit institute and the associated loss of a credit line. We are also seeing higher interest charges as a result of increased bank margins, although these should be partly compensated for by the lower interest rate level.

In addition to reducing the working capital, the balance sheet structure offers further options for securing liquidity insofar as these are deemed necessary.

Working capital

At EUR 303.9 million, working capital was up 11.9 percent in comparison with December 31, 2007 (previous year: EUR 273.2 million) due to the merger. Inventory increased to EUR 217.0 million (previous year: EUR 175.1 million) due to the global slowdown in product demand, particularly in the compact equipment business segment. Trade payables dropped 48.8 percent to EUR 32.3 million (previous year: EUR 63.1 million), thanks primarily to the speed with which production was able to respond to the downturn in demand. Trade receivables consequently dropped 26.1 percent to EUR 119.2 million (previous year: EUR 161.2 million). Working capital fell in relation to sales from 36.8 percent in the previous year to 34.9 percent.

Assets

- Balance sheet total slightly down
- Share capital unchanged
- Long-term borrowings down

The balance sheet total fell during the last fiscal year to EUR 1,178.6 million (previous year: EUR 1,214.5 million).

Assets rose to EUR 703.6 million (previous year: EUR 651.5 million). This is due in particular to an increase in property, plant and equipment to EUR 272.9 million (previous year: EUR 221.9 million). The slight increase in goodwill to EUR 326.1 million (previous year: EUR 325.7 million) is attributable to the effects of foreign currency fluctuations. Intangible assets fell to EUR 98.4 million (previous year: EUR 100.2 million).

Finished products increased to EUR 159.1 million (previous year: EUR 114.0 million) due to the global slowdown in product demand. Current assets dropped to EUR 428.6 million (previous year: EUR 517.5 million) due to changes in marketable securities.

High equity ratio

Equity remained almost unchanged in the reporting period at EUR 911.8 million (at December 31, 2007: EUR 912.7 million).

The company's share capital remained constant at EUR 70.14 million. This resulted in an equity ratio of 77.4 percent (at December 31, 2007: 75.2 percent). In our view, it is thus still at a high level for the industry.

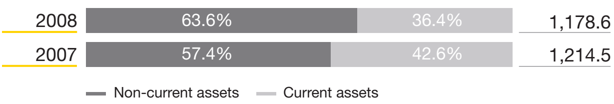
Total non-current liabilities dropped 6.6 percent to EUR 100.1 million (previous year: EUR 107.1 million). While long-term borrowings dropped to EUR 38.8 million (previous year: EUR 44.2 million), primarily attributable to repayment of bank loans, long-term provisions at EUR 29.3 million remained at almost the same level as last year (previous year: EUR 29.2 million). Deferred tax posted as liabilities dropped to EUR 32.0 million (previous year: EUR 33.7 million).

At EUR 166.7 million, total current liabilities are down 14.4 percent (previous year: EUR 194.6 million). This is mainly due to a fall in trade payables.

Balance sheet structure

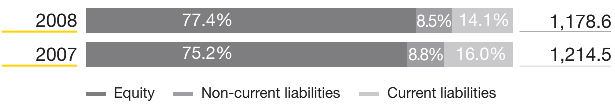
Assets

in € million



Equity and liabilities

in € million



The net financial debt at December 31, 2008 amounted to EUR 59 million (balance at December 31, 2007: + 43.1 net financial assets). To calculate net financial debt, please refer to item 30 in the notes, "Risk Management/Capital Management".

Net financial debt

in € K	Dec. 31, 2008	Dec. 31, 2007
Non-current liabilities	- 38,845	- 44,219
Current borrowings from banks	- 81,742	- 72,103
Current portion of non-current liabilities	- 5,876	- 6,073
Marketable securities	+ 1,894	+ 88,656
Cash and cash equivalents	+ 65,600	+ 76,816
Total	**- 58,969**	**43,077**

Summary of profit, finances and assets

In summary, Group management welcomes the results for the last fiscal year as further strengthening the company's healthy financial position. Despite the challenging market situation, the Wacker Neuson Group's financial position is healthy, based on a relatively high equity ratio and a low net financial debt compared with its peers.

V. Reporting by region

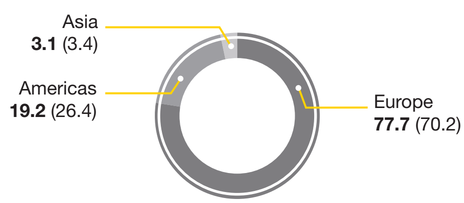
- Market dynamics affect product sales in the Europe and Americas regions
- Healthy demand for services
- Lively demand from the agricultural industry

With its broad product portfolio and high-quality services, the Wacker Neuson Group not only supplies construction companies who use the equipment themselves, but also dealers, rental organizations and importers across the globe. Our segment reporting provides an overview of business development divided into primary reporting by region (Europe, Americas and Asia) and secondary reporting by business segment (light equipment, compact equipment and services).

While sales in the Asia region and services segment developed positively, sales in the Europe and Americas regions and the light equipment and compact equipment segments were negatively impacted by market trends.

Sales by region

in % (previous year)



Europe

Sales by region: Europe
in € K

EBIT by region: Europe
in € K

Europe was again the strongest sales driver in fiscal 2008. Fueled by the merger, sales rose 29.9 percent to EUR 676.2 million (previous year: EUR 520.7 million). Segment profit before interest and tax (EBIT) fell from EUR 50.9 million to EUR 45.8 million (- 10.0 percent).

Investments by European construction companies dwindle

The negative market trends resulting from the US subprime crisis shifted increasingly to Europe as the year wore on, hitting Western Europe's leading construction markets in Spain and Great Britain with full force. Caution increased among construction companies across Europe and orders were deferred or even canceled. In addition, the relatively mild winter meant that major infrastructure projects were completed ahead of schedule, resulting in time lags with respect to follow-up projects. Heightened competition and increasing price erosion were the result. Although demand for light equipment remained below the previous year's level throughout the entire year, demand for compact equipment targeted at the construction industry did not start to fall until the second half of 2008. The reporting period nevertheless saw healthy demand in this region both for services and for compact equipment targeted at the agricultural industry, in particular.

Almost all affiliates in this region therefore saw sales fall in fiscal 2008. Our strong market presence, the depth and breadth of our product portfolio and superior rental, spare parts and repair services provided business momentum however, as did the positive results from Weidemann GmbH for products for the agricultural industry.

Positive performance in Eastern Europe

Performance was positive in Switzerland, Austria, Eastern Europe and South Africa. In June, the UEFA European Soccer Championship was responsible at times for stopping construction work on Austrian infrastructure projects nationwide.

In Eastern Europe, our affiliates benefited increasingly from healthy levels of construction activity, particularly infrastructure, modernization and residential construction projects. Our Russian affiliate saw a leap in sales of over 30.0 percent. To exploit market potential, we will continue to expand our sales activities and rental operations in Eastern Europe. New service stations were opened in Ceske Budejovice and Ostrau in the Czech Republic, in Szcecin, Krakow, Warsaw and Lodz in Poland as well as in St. Petersburg in Russia.

The construction industry experienced a slowdown in fiscal 2008 in all Scandinavian countries apart from Sweden. Demand for portable hydronic heating equipment recently launched was healthy in the utility business field.

The sales teams at our French, Spanish and Hungarian affiliates are now also responsible for distributing compact equipment. Our affiliate in South Africa benefited from renewed growth in the construction industry. Exports to the Middle East were slightly up on the previous year.

German business remains stable and healthy

Once again, Germany achieved the strongest sales in the Europe region last fiscal year. Business was initially very brisk on the German market. Despite ongoing construction work and numerous plans for commercial, highway and underground projects, construction activities fell steadily during the course of the year. This had a negative impact on the sale and rental of light and construction equipment. We nevertheless managed to hold onto our leading market position, ensuring customer proximity with over 70 sales and service stations. Other factors that had a positive impact include new products and our improved service offering.

Americas

Sales by region: Americas
in € K

EBIT by region: Americas
in € K

As the year wore on, development in the Americas region was influenced more and more by the fluctuating euro/dollar parity and uncertainties on the US real estate and mortgage market. This resulted in a sharp drop in residential construction – stable investment levels in non-residential construction were unable to compensate for this adverse trend.

Despite increased sales efforts, overall sales fell 14.9 percent in fiscal 2008 to EUR 166.9 million (previous year: EUR 196.1 million). Segment profit before interest and tax (EBIT) totaled EUR 11.6 million (previous year: EUR 25.8 million). However, adjusted to reflect exchange rate fluctuations, sales in the Americas fell 9.0 percent. As in previous years, our US affiliate yielded the lion's share of sales in the US. Considered in the local currency (US dollars), the US production and sales affiliate, Wacker Neuson Corporation, recorded revenue only 11.5 percent below the previous year's level, despite increased exports to Europe and Asia.

For our US affiliate, fiscal 2008 was furthermore characterized by numerous measures to launch compact equipment on the American market, including trade fairs showcasing our products and training courses. We are pleased to report that during the course of the year, the number of dealer distribution agreements for Wacker Neuson US products increased to over 30. In light of this development, we decided to rethink plans to establish a service station network on a franchise basis under our EQUIPRO start-up concept, and instead to entrust Wacker Neuson's new dealers with service delivery.

Demand for portable hydronic heating equipment from our US subsidiary, Ground Heaters, Inc., was healthy. Ground Heaters, Inc., which was acquired in 2006, ceased to exist as an independent entity on December 8, 2008 and was liquidated. Business activities were not affected, however, and were taken over by our affiliate Wacker Neuson Corporation.

Positive trend in Canada and South America

Performance was positive in Canada. Performance was also positive in South America due to state-subsidized infrastructure projects and a flourishing mining industry. In Mexico, the impact of the US subprime crisis led to a downturn in business over the course of the year. In Canada, we concluded an agreement with the 4-Way Equipment Rentals company for distribution of our complete product portfolio.

Asia

Sales by region: Asia
in € K

EBIT by region: Asia
in € K

Asia remains a growth market for Wacker Neuson, although serious demand for light and compact equipment is not expected to kick in until the usual five to ten years have lapsed since the initial infrastructure projects. The company is systematically preparing for rising demand and opened an affiliate in India in fiscal 2008.

Sales growth in Asia

In the Asia region, sales were up 7.5 percent on the previous year, from EUR 25.3 million to EUR 27.2 million. Segment profit before interest and tax (EBIT) fell 55.1 percent to EUR 1.4 million (previous year: EUR 3.1 million).

Thanks to national infrastructure projects to expand the highway and railroad network, we enjoyed an increasingly positive trend in this region over the course of the year, although exchange rate fluctuations had an impact on revenue figures. In order to capitalize more effectively on the positive construction climate in this area, we strengthened our market presence in China by stepping up sales activities during the course of the year. Sales in China grew 47.0 percent despite a building freeze in major cities before and during the Olympic Games in Beijing.

Performance also remained positive in Australia and New Zealand, but was down slightly in Japan and Thailand.

VI. Reporting by business segment

- Product sales in both light and compact equipment affected by market dynamics
- Services segment performs well
- Agricultural industry performs well

Sales in the light and compact equipment segments was negatively impacted by market trends in fiscal 2008. The popularity of our service offering in the market is reflected in higher revenue from the services business segment.

Sales by business segment

in € K	2008	2007
Light Equipment	331,352	408,170
Compact Equipment	355,979	179,480
Services	188,507	159,657
Minus cash discounts	5,507	5,245
= Total sales	**870,331**	**742,062**

Light equipment

The light equipment segment covers the Wacker Neuson Group's activities within the business fields of concrete technology, soil and asphalt compaction, demolition and utility and covers the manufacture and sale of light equipment weighing up to approximately three metric tons. This is our core business, targeting professional light equipment users in mainstream construction, gardening and landscaping worldwide. Our customers are predominantly active in non-residential construction and mainly use our products in new developments and infrastructure repairs, but also in structural and commercial projects. Production is demand-driven with short delivery times of between 24 and 48 hours. The company therefore does not have an order backlog for this segment.

Sales before discounts in this business segment fell 18.8 percent from EUR 408.2 million to EUR 331.4 million. This is attributable to decreased unit sales of new equipment to major customers, mainly in the US, Spain, France and Great Britain.

Since the Neuson Kramer subgroup does not produce light equipment, this is reflected in the Wacker subgroup figures. Following the merger, this segment accounts for 37.8 percent of total sales (before discounts) (previous year: 54.6 percent).

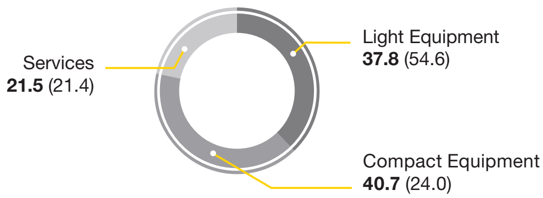
New products

We expanded our portfolio by launching 63 new products or product variants worldwide (previous year: 47). We introduced a number of technical innovations that comply with all the latest environmental and user protection statutory guidelines. Following in the footsteps of large breakers, we also reduced hand-arm vibrations from reversible vibratory plates. The company also launched an entirely redesigned version of the self-constructed two-stroke WM 80 engine for gasoline vibratory rammers and breakers. This engine satisfies all global emission guidelines.

In the concrete technology business field, new launches included a new line of internal vibrators, new walk-behind and ride-on trowels as well as a rebar cutter product group. In the demolition business field, we launched a new range of floor saws and a new cut-off saw, whereas in the utility business segment, we introduced a range of new mobile generators and a portable hydronic heater.

Sales by business

in % (previous year)



Compact equipment

The compact equipment business segment covers the manufacture and sale of compact machinery weighing up to approximately 14 metric tons. In addition to all-wheel and articulated wheel loaders, the compact equipment segment features compact excavators, skid-steer loaders, telescopic handlers and dumpers as well as attachments.

This segment recorded sales of EUR 356.0 million before discounts and including results from the Neuson Kramer subgroup – up 98.3 percent from EUR 179.5 million the previous year. In line with this, the proportion of total sales (before discounts) contributed by the compact equipment segment rose following the merger from 24.0 percent in the previous year to 40.6 percent. However, it should be noted that some of this compact equipment was used to stock our own rental pool and build up demo fleets, so this portion of sales was not included in Group sales. It should also be noted that stocking our own rental pool does not in any way contribute to operating income. This will be achieved in the future by renting out these products.

Performance in this business segment was characterized by very positive sales in the first half of 2008 and a rapid fall in demand as a result of prevailing market trends in the second half. Increasing reluctance to invest among rental companies and major customers resulted in the deferment and cancellation of orders. We are countering this development through special financing programs. At the closing date on December 31, 2008, accumulated orders for compact equipment for the construction and agricultural industries was thus 25 percent below the equivalent figure for the previous year.

Compact products launched through the existing sales network

During the period under review, we also focused on launching compact equipment via our global sales and service network, primarily in Spain, Switzerland, Australia and the US. Customer feedback on our high-quality products has been very positive in these countries.

We continue to innovate and improve the quality of this extensive portfolio, encompassing around 40 models. The Group's proven Kippmatic technology was taken to the next level for compact excavators with the vertical digging system (VDS). This system enables the chassis to navigate differences in surface heights during excavation work. During the course of the year, two new skid-steer loader models and a number of new telescopic handler and wheel loader machine variants were launched under the Kramer Allrad and Weidemann brands.

Growing demand for products for the agricultural industry

Following the completion of Weidemann GmbH's new production facility in Korbach at the end of 2007, 2008 witnessed increased efficiency in the production of articulated wheel loaders for the construction and agricultural industries as well as in the production of proven Hoftrac products for the agricultural industry. Thanks to strong demand fueled by modernization and rationalization investments from the agricultural industry, Weidemann GmbH sales grew 27.0 percent to EUR 107.5 million (previous year: EUR 84.7 million). Weidemann GmbH also introduced SAP on January 1, 2009. Demand was also positive for telescopic handlers from Kramer GmbH, distributed by CLAAS Global Sales GmbH.

Services

The services business segment encompasses the Wacker Neuson Group's after-market (repair and maintenance) and rental business fields, each covering both light and compact equipment.

Sales before discounts in this segment increased by 18.1 percent as a result of the merger, to EUR 188.5 million (previous year: EUR 159.7 million). This segment's share of total sales (before discounts) was thus 21.5 percent following the merger (previous year: 21.4 percent).

Services resonate strongly among customers

In the after-market business field, our activities in the traditional repair and spare parts segment were once again right on track in 2008. We reduced lead times for repairs, improved our equipment pickup and delivery service from and to construction sites, intensified training for our service staff and opened a number of new sales and service stations. We were able to hold our own against independent workshops and construction machinery dealers. Sales in this business field grew from EUR 104.0 million to EUR 133.8 million (+ 28.7 percent). Training for service staff remains a high priority at Wacker Neuson. We also continued expanding our service business over the reporting period, particularly in Eastern Europe.

Growing demand for rental equipment in Central and Eastern Europe

The rental business in Central and Eastern Europe remained stable during the year under review, despite the difficult market conditions. Sales leveled out at around EUR 54.7 million, just 0.9 percent lower than the previous year's level of EUR 55.2 million. Our strategy of equipping existing sales and service stations with more rental equipment and setting up new stations, particularly in Eastern Europe, is paying off here. In total, we invested EUR 34.0 million in replacing rental equipment and expanding our rental business in Central and Eastern Europe with products from Wacker Neuson production plants.

Developments over the past year again confirmed that our customers view renting as a useful supplement to purchasing. Companies are attracted by the flexibility and attractive cost structure of renting. The trend for short-term contracts became more pronounced, with the number of daily rentals outweighing that of monthly or longer-term rentals. We have continued our strategy of supplying more rental equipment to sales and service stations and meeting the full spectrum of customer requirements with a wider product offering.

VII. Other factors that impacted on results

Research and development

- New products and product variants developed
- Numerous new patent applications
- Construction of a new research and development center in Munich has commenced

The company's research and development (R&D) departments are responsible for designing new products and continually enhancing existing models. Both lines of activity are inspired solely by end user needs. Our wide product offering enables operators to maximize the efficiency of construction processes, whether the machinery be bought or rented. Our development work over the last fiscal year was also aimed at lowering manufacturing costs. Our new and improved products combine high quality with cost-effective deployment. We also consider ourselves pioneers for product safety and operator protection.

The development departments for products in the light equipment segment are located in Munich (Germany), Milwaukee (US) and Manila (the Philippines). Products in the compact equipment segment under the Weidemann brand are developed at Weidemann GmbH headquarters in Diemelsee-Flechtdorf, with compact products under the Kramer Allrad and Wacker Neuson brands being developed at the respective production plants in Pfullendorf and Linz.

The number of employees in the R&D departments for the last fiscal year was lower than the previous year, with just 261 employees (previous year: 270 employees). The R&D payroll mainly consists of mechanical engineers, technical engineers, technical drawers and other skilled workers.

As we design basic versions for the global market and continually adapt them to meet country-specific requirements, we offer a vast range of product variants. In 2008, we launched 63 new developments and product variants worldwide (previous year: around 47). R&D expenditure for the reporting period rose 20.4 percent to EUR 25.1 million (previous year: EUR 20.8 million). This brought our R&D cost ratio up to 2.9 percent (previous year: 2.8 percent).

Over the last fiscal year, we filed a total of 58 new trademark rights worldwide (previous year: 69 patents). 87 new trademark rights were awarded (previous year: 47 patents).

We develop our employees through seminars on project management and design engineering, as well as external training courses. We also continued the expansion of our testing department by adding cutting-edge measurement and test stations.

The research and development center in Munich currently under construction and due to be completed in 2011 will help to maintain a strong innovative drive and secure the high quality of our products in the light equipment segment.

Research and development expenditure
in € million

Production

- Production output flexibly adapted to demand
- Group-wide efficiency gains
- Short-time working introduced

The market-related fall in demand for our products in fiscal 2008 resulted in a gradual drop in the utilization of our manufacturing facilities. This decline affected the fourth quarter of 2008 in particular. Our plants in Reichertshofen (Germany), Milwaukee, Spring Lake (both in the US) and Manila (the Philippines) – all sites where products in the light equipment segment are produced – were affected, as were manufacturing facilities for the compact equipment segment in Linz-Leonding (Austria) and Tredegar (Wales). Utilization of production plants owned by our affiliates Weidemann GmbH in Korbach and Kramer Werke GmbH in Pfullendorf reflected market dynamics in fiscal 2008, thanks to the fact that these plants produce agricultural products.

Our strategy of flexibility proved a success in this situation. It allowed us to compensate for the economic downturn by lowering costs. We achieved this by employing fewer temporary workers, as well as reducing vacation and flexitime accounts. Market developments prompted us to close our production plant in Tredegar (Wales, Great Britain) and relocate production of our four-wheel dumpers to Linz (Austria). In addition to these measures, short-time work will be initiated from fiscal 2009 in Reichertshofen and Linz, followed by Pfullendorf. As of December 31, 2008, we had 517 employees at these production sites (previous year: 511). As of the same date, a total of 1,031 employees were involved in production across the entire Group (previous year: 1,072).

Process improvements implemented

As part of the move to align our processes, we also held discussions with our suppliers. In addition, we have again improved our production and logistics processes to further reduce machining and wait times, and aligned our machinery pool with market requirements.

Increased inventory

We reacted quickly to falling demand for our products by reducing output in our production plants. Despite our flexible structure, inventory nonetheless increased. However, we are able to produce single machines cost-effectively. Each machine that leaves one of our production plants is tested and the results documented for quality assurance purposes.

We stepped up efforts to integrate spare parts production for the Group member Weidemann in the Reichertshofen plant. A total of 900 parts have already been introduced. We are currently considering partial transfer of spare parts production for Group member Kramer-Werke GmbH. The focus factory also took on contract work for the Group-owned steelwork company, Wacker Neuson Kragujevac d.o.o. in Serbia.

Quality and sustainability

- Increased awareness surrounding sustainability
- Systematic implementation of quality processes
- Certified quality management system

Over the past few years, the Wacker Neuson Group has been working to raise awareness in the company around the importance of sustainability in our business dealings. In 2008, we continued our systematic implementation of international, national and local legislation and regulations concerning user safety and environmental protection. We introduced measures to improve the ergonomics of our products, and to reduce fuel consumption, vibration-induced impact and noise emissions.

We observe the guidelines governing general emissions, exhaust gas included, plus water and soil protection. As part of his drive, we reduced emissions from our vibratory rammer and gasoline breaker motors to below the statutory levels. We also minimized our environmental footprint through eco-friendly recycling of materials and resources and separation of potential recyclables in production and administration.

Quality management system confirmed by audit
We document our underlying processes and benchmarking systems in our quality management system, certified to DIN EN ISO 9001/2000. This covers the light and compact equipment business segments for the Group headquarters in Munich, production plant in Reichertshofen, logistics center in Karlsfeld and all sales regions in Germany. In the first half of fiscal 2008, an external audit reconfirmed that our quality management system is comprehensive and effective.

Purchasing

- **Materials requirement adapted to production volume**
- **Reduction of materials costs through standard agreements**
- **Cushioning against fluctuations in raw material prices**

Procurement in 2008 had to contend with extreme volatility on the raw materials market. While the first half of 2008 was marked by overheating and extreme asking prices, particularly in the energy, metal and steel markets, the situation improved significantly in the later half of the year.

Thanks to mainly long-term purchase agreements, the procurement department at the Wacker Neuson Group was able to curb the effects of raw material price increases on earnings.

The light and compact equipment segments have both coordinated their procurement activities. To capitalize on the synergies created by the bundling of demand, production sites from both segments have defined a “lead buyer” concept. The positive effects of the merger with Neuson Kramer are already evident in a number of Group tender projects. The terms negotiated in this way are then freely available to all plants. We have expanded the activities of our company in Serbia, which produces steelwork components for the compact equipment segment and delivers these to other Wacker Neuson Group members.

Logistics

- **Rapid availability of products and spare parts**
- **Internal processes and supply structures improved**
- **Positive effects of the merger**

The Wacker Neuson Group logistics centers for new products, spare parts and accessories are located in Karlsfeld (Germany), Germantown, (Milwaukee, US) and Hong Kong (China). Weidemann GmbH spare parts logistics is integrated in the Karlsfeld center. Our dispatch system for new products and spare parts in the compact equipment segment is decentralized, shipping directly from the plants in Linz and Pfullendorf. New products from Weidemann GmbH are shipped from the Korbach plant.

Inventory stock remained stable at our Karlsfeld logistics center, reaching EUR 30.0 million (previous year: EUR 29.6 million) at the end of fiscal 2008. Altogether, this center’s current capacity lies at around 14,400 new machines (previous year: 16,600) and around 22,000 different spare parts (previous year: 22,400). Inventory stock at our US logistics centers and in Hong Kong as well as inventory stock in plants producing compact equipment, rose by 40 percent to previous year.

We were able to handle the workload with a total headcount of 293 (previous year: 271) across all locations in fiscal 2008. We continued to concentrate on production planning efficiencies at the logistics centers and high flexibility at the focus factories on our production sites. The increase in staff numbers can be explained by new hires in the Americas region to drive expansion of the compact equipment segment.

Together with the Wacker Neuson ex works plants in Linz, the Kramer plants in Pfullendorf and Weidemann plant in Korbach, the company put out a tender for all compact equipment shipments in the Group in the fall. The company expects efficiency gains in this area due to the consolidation of shipments post-merger.

Human resources

- Recruitment drive to expand rental business
- Emphasis on employee development
- Training for young people actively supported

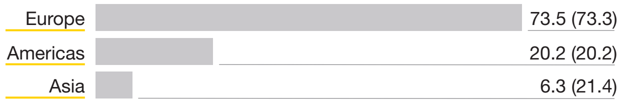
Human resources work in the Wacker Neuson Group over the last fiscal year concentrated on the merger with Neuson Kramer, employee development, and – particularly in the latter half of the year – measures aimed at securing jobs.

As of December 31, 2008, the company employed a total of 3,665 people (previous year: 3,659). These figures do not reflect the actual number of people employed. They are calculated by converting the number of positions within the company into full-time jobs. At the end of the year, personnel costs totaled EUR 191.5 million (previous year: EUR 167.8 million). The increase is a direct result of the merger.

Among Wacker Neuson Group employees, 2,693 employees or 73.5 percent of all employees were employed in Europe as of the balance sheet date (previous year: 2,683). 740 were employed in the Americas region (previous year: 738), with 232 in the Asia region (previous year: 238). In Germany, headcount grew to 1,708 in fiscal 2008 (previous year: 1,651), and the number employed in the US was 658 at the end of the year (previous year: 663). New hires were particularly concentrated in the Europe region in the service sector due to the expansion of the Group's rental business, as well as in the Americas region in the logistics sector due to the expansion of the compact segment. In the areas of sales and administration, the number of employees remained almost constant. At the same time, employee numbers were reduced in the production sector by not replacing positions that became available and by closing the plant in Wales.

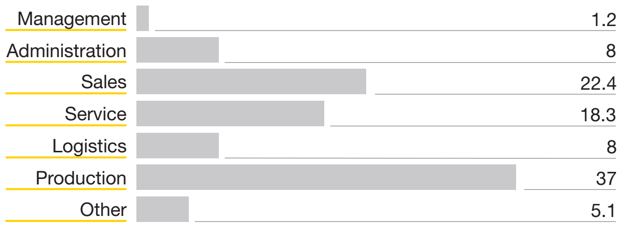
Headcount by region

in % (previous year)



Employees by sector

in %



Human resources figures

Group-wide human resources reporting is currently being further expanded. Relative to 2007, we were able to provide a larger number of human resource indicators in the period under review. The following Group figures are only based on approximately 77 percent of the total workforce, relative to 2,875 employees in our production companies (number of people employed: 3.739)

December 31, 2008	2008
Key figures[1]	
Part time employees in %	3.86
Number of trainees	161
Quota of trainees in %	5.60
Expenses for personnel development in € K	appr. 800,000
Average age in years	39.92
Number of men/women (proportion in %)	2,374 (82.57)/ 501(17.43)
Number of years with the company	10.70
Fluctuation in %	15.34
Fluctuation (excl. shutdown of Welsh plant) in %	12.13
Sickness rate in %	2.78

[1] Figures only based on 77 percent of total workforce

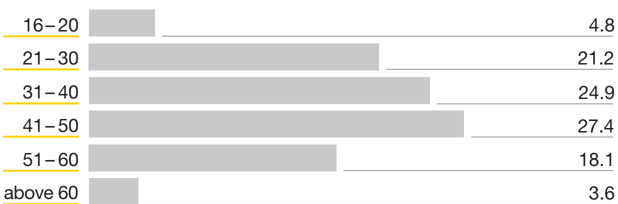
Skilled staff for strong performance

During the last fiscal year, we were able to continue our policy of matching the right person with the right job to maintain our strong competitive position on the international market. In fiscal 2008, we continued to accept employees with sound technical training for our technical access program, where they could go on to qualify as construction machinists, helping us to meet growing demand for service employees in the affiliates.

We provided intensive training for 161 young people in industrial or business posts or within the framework of practical training programs at technical or vocational colleges. The student training quota for the last fiscal year was 5.6 percent worldwide. In 2008, 39 trainees completed their training, with 32 of these offered positions in the company, a takeup rate of 82 percent.

In Manila, we continued to provide training in collaboration with the Don Bosco Institute. Here we are currently training 20 young people from low-income families along the same lines as the German dual training system (previous year: 20 young people).

Age structure
number of employees in %



Training and voluntary benefits

The Wacker Neuson Group has always placed great importance on employee development and ongoing education and will continue to do so. For this reason, expansion of the Wacker Neuson Academy was further promoted in 2008. The Academy was able to offer and run around 130 courses. Approximately 2,200 participants from the company and customer employees took up this offer.

In 2008, we focused on internal training and development measures in sales and technology. We also held courses in foreign languages, occupational safety and health. Our staff development expenditure for the Group as a whole over the last fiscal year totaled around EUR 0.8 million (previous year: EUR 0.9 million).

We offer our employees in Germany numerous voluntary benefits, as well as the opportunity to participate in an employee-funded, insurance-based company pension plan. Depending on their location, we provide various means of support for employees across the Group, including grants, healthcare initiatives and insurance-based company retirement benefits. As of December 31, 2008, the parent company had agreements on part-time work in place with 41 employees close to retirement age (previous year: 39).

On March 31, 2008, the parent company left the employers' association of the Bavarian electrical and metalworking industries, Bayerische Metall- und Elektroindustrie e.V. or VBM, and switched to Bayerische Unternehmensverband Metall- und Elektro e.V. or BayME, which is not tied to collective bargaining agreements. This move should simplify the agreement of company-specific solutions with regard to working hours, flexible working arrangements and retirement benefits for employees.

Adjusting capacity

During 2008, a number of agreements were made between company management and works councils at the various production sites to try countering the economic downturn. Employee work accounts were extended at some sites. In addition, temporary staff were layed off and overtime and holiday accounts were reduced to prepare production sites in Reichertshofen, Pfullendorf and Linz (Austria) for the start of short-time work in January 2009.

The closure of the four-wheel dumper production plant in Tredegar (Wales, Great Britain) caused the loss of a total of 90 jobs. Group management found socially responsible solutions for the affected employees.

Due to the global recession, staff numbers have also been cut at other production sites. In other words, production staff (excluding temporary staff) was reduced by 3.9 percent worldwide.

Number of employees (Group)[1] as of December 31, 2008

2008	2007[2]	2006[3]	2005[4]	2004
3,665	3,659	2,837	2,630	2,224

[1] By number of full-time jobs
[2] Through the merger with Neuson Kramer
[3] Through Ground Heaters acquisition
[4] Through Weidemann acquisition

Sales and marketing

- Customer loyalty measures implemented
- Encouraging feedback at construction equipment trade fairs
- Sales and training activities strengthened

The Wacker Neuson Group's sales and marketing activities over the last fiscal year aimed to provide customers and business partners with convincing proof of the quality and performance of our products and services, thus increasing customer loyalty to the company. We implemented this strategy both in person and via a range of communication tools.

After the merger with Neuson Kramer Baumaschinen AG (now Wacker Neuson Beteiligungs GmbH) in 2007, the focus in 2008 was on implementing a new corporate design and the accompanying standardization of colors for equipment and machinery under the new Wacker Neuson brand. We also worked intensively to redesign all communication and marketing tools and to communicate the new brand image to all target groups. Once again, we are particularly focused on positioning Wacker Neuson as a premium brand with a high-quality range of light and compact equipment, flanked by a comprehensive service offering.

Key enablers here included brochures, product information sheets, press releases, expanded Internet communication, plus presentation of our offering at exhibitions and trade fairs. Our most important trade fairs in Germany last year were Nordbau in Neumünster and GaLaBau in Nuremberg, the international trade fair for the design, construction and maintenance of urban, green and open space. At a European level, we attended fairs in Spain, Great Britain and Italy. In the US, we showcased the 14 compact models earmarked for launch in the US at a number of trade fairs. Highlights included a booth at the largest trade fair in the Americas, Conexpo/CON-AGG in March in Las Vegas (US). A steady flow of visitors to our stands at all trade fairs enabled numerous discussions with our customers. Weidemann GmbH presented its products at a number of agricultural trade fairs in Europe. Our comprehensive product and service offering under the Wacker Neuson and Kramer Allrad brands (the latter applies to Europe only) resonated strongly among customers. The number of actual deals closed at the trade fairs increased in comparison with previous years.

The number of employees in sales and service worldwide grew over the past year to 1,491 (previous year: 1,473). This enabled us to maintain a high level of service quality again and offer tailored sales and service solutions, aligned with the specific requirements of customers and their markets. We offered major customers particularly attractive financing programs for compact equipment.

Work was completed on our training center at the Reichertshofen production site at the beginning of 2008. In the reporting year, we thus began to train both our own sales and service teams and our customers in the correct deployment of our products, showing – regardless of the weather – how our equipment and services can help optimize construction processes.

VIII. Risk report

Notes on the risk management system

In fiscal 2008, 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, comprehensive Group reporting on all business processes and affiliates to provide every decision-maker with regular analysis, discussion and evaluation, process definitions for all business segments, and Group auditing.

The risk management handbook outlines the Group's goals, its risk policy in terms of defining, assessing and quantifying potential risks, and the nature and procedures of the risk management system with roles and responsibilities regarding analyzing, monitoring and communicating identified risks. This allows us to derive suitable measures to actively counteract known risks.

Risk categorization

Risk class	Risk exposure[1]
To be observed	0 to 50,000 EUR
To be monitored	50,000 Euro to 125,000 EUR
Major	125,000 EUR and more

[1] Risk exposure = (probability/100) x impact

Our risk reporting system lists and describes each individual risk identified in our lines of business. We examine the situation every quarter and add newly identified risks if necessary. The controlling department also surveys the affiliates and departments at the Group headquarters. Following checking for completeness and plausibility, the data gathered is aggregated.

We then assess the risks using both quantitative and qualitative methods that are uniform throughout the Group, allowing comparison across the various business units and beyond. The risks are evaluated according to probability of occurrence and potential damages. The resulting values are derived and prioritized on the basis of current and projected accounting figures. This provides objectivity in determining damages. Following this process, the risk report is generated and presented for acknowledgement by the Executive Board.

Risk probability
in %

Category	Degree of probability in the following year
Low	0 to 5
Medium	5 to 20
High	20 to 50
Very high	50 to 100

The Group's comprehensive risk management system also includes systematic financial risk management. We have defined Group guidelines and policies 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.

Risks

As of December 31, 2008, the company identified the following significant risks to the Wacker Neuson Group that could have a negative impact on business development:

Environment and industry risks (risks related to the overall economic situation, procurement and retail markets, locations and countries)

The Wacker Neuson Group is dependent on the general economic climate and international construction industry trends and on developments in the agricultural industry as they impact on the Weidemann GmbH affiliate and – to a lesser extent – on the Kramer-Werke GmbH affiliate.

As a result of the current macroeconomic climate and construction industry trends, the Group is increasingly exposed to negative dynamics on its core markets. Due to the global recession, the company notes a growing risk that the drop in product sales in both light and compact equipment due to changed customer order patterns will continue throughout the remainder of fiscal 2009 and beyond. At December 31, 2008, accumulated orders for compact equipment for the construction and agricultural industries were 25 percent below the equivalent figure for the previous year. It is to be assumed that this gap will widen further as the propensity to invest continues to fall in response to increasingly stringent bank lending policies. The company is mitigating these risks by adopting proactive go-to-market strategies in the regions and stepping up activities in growth segments such as agriculture, and in dynamic markets such as Eastern Europe and Asia.

Global cost-cutting measures such as a hiring freeze were also implemented. Following the reduction of holiday accounts and temporary staff as well as the expansion of our flexible working schemes at all production sites in fiscal 2008, we implemented short-time work at our German plants in Reichertshofen and Pfullendorf (Kramer-Werke GmbH) and our Austrian plant in Linz at the start of fiscal 2009. Should these measures prove to be insufficient, we cannot rule out staff rationalization measures.

Falling demand for products has led to an increase in stock, and subsequently working capital. The company has flexibly adapted productivity levels and implemented measures to reduce inventories, including attractive financing packages for major customers in the compact equipment segment. However, continued downturn in sales could lead to an increase in financing costs for working capital. Profit levels are at risk if the measures implemented do not have sufficient impact and if the cost savings fail to keep pace with any further drops in sales or if we are unable to reduce inventory in synch with any further drops in sales.

Further downturn in the European and German construction industry may have a stronger negative impact on demand for Wacker Neuson Group products and services than currently expected. The same applies to the agricultural industry. Although a downturn in this area is not expected at this stage, a slump here would affect the results of Weidemann GmbH in the long term and – to a lesser extent – Kramer-Werke GmbH. We regularly monitor our cost structure and investment measures to assess the potential impact on our profit, finances and assets.

In the US, experts feared that the subprime crisis, which is having a particularly negative impact on private residential construction, will now have a knock-on effect on the non-residential sector, including highway, underground and commercial construction projects. However, the US government is planning an investment program to boost the construction industry, which could mitigate the effects of the sluggish economic and depressed construction climate on our business prospects in the Americas region. We are countering the risks we face in this region by actively pushing our go-to-market strategy, launching new products – particularly compact equipment – and establishing a Wacker Neuson dealer network.

The Wacker Neuson Group is also affected by the seasonal fluctuations. Sales may therefore fluctuate during the year.

The international nature of our business means our company is exposed to political, national economic and other risks.

We face tough international competition. While we have decided to maintain the price strategy accepted by our customers, global competitors are increasingly offering discounts. This may mean we lose market share.

Strategic business risks
(risks arising from business decisions, investments, entering new markets, launching new products and acquiring and integrating new companies)

As part of our long-term strategy, we are expanding the compact equipment segment, as well as our sales and service network and the rental business in Central and Eastern Europe. This involves investments, which may not necessarily be recouped. Unforeseeable risks can also arise within individual projects and delay execution. We are countering this by adapting our timing to current market dynamics, carefully examining all planned investments and possible risks and pursuing a lean project management policy.

The company is also exposed to risks in connection with its ongoing international expansion activities. If we do not expand as planned, this could have a negative impact on our long-term growth strategy.

We will continue with this strategy by expanding the compact equipment segment in fiscal 2009 and establishing our light and compact equipment offering for the construction industry under the Wacker Neuson brand and launching Wacker Neuson-branded compact equipment in the Americas region and, in the medium term, Asia. We have identified customer demand here, but there is nevertheless a risk that products under the Wacker Neuson brand will not achieve the desired level of market penetration. We are minimizing this risk through intensive sales and training activities.

The merger with Neuson Kramer has positioned the company as a major global player in the light and compact equipment market. There is a risk of delays in the global distribution of compact equipment through our existing sales and service network. Risks also arise from harmonizing national sales channels comprising direct sales and dealer networks. Failure to align these channels may lead to the loss of sales partners in Europe. We are countering this by maintaining close ties with our sales partners.

We also consider acquisitions to enhance our product portfolio, and these are carefully assessed. However, errors in estimating the risks entailed in an acquisition can have a negative impact on Group business development and growth prospects.

During the last fiscal year, the Wacker Neuson Group decided to close the production plant in Tredegar (Wales, UK) and transfer production of four-wheel dumpers to Linz in Austria. This process will be completed in spring 2009. If this move is not completed on time, there is a risk of delays in product deliveries to customers. The company is countering this risk by implementing an efficient project management policy.

Kramer-Werke GmbH produces telescopic handlers for CLAAS Global Sales GmbH, which CLAAS then distributes to the agricultural industry under its own name. There is a risk that the contracting company could end this partnership or reduce the number of orders. To combat this, Kramer-Werke GmbH actively manages its relationship with CLAAS and continually improves its processes and the quality of its products.

Our company's customer and supplier structure varies according to country. Within an individual country, the loss of a major customer can have a serious impact on demand for products and services from the affiliate concerned. In addition, the loss of a supplier or delayed delivery of parts and accessories can threaten an affiliate's individual sales targets. We are countering this risk by expanding our sales activities, making ongoing improvements to supplier structures and concluding standard agreements.

Demand on the international market is becoming increasingly concentrated due to mergers among our customer base. Customer takeovers by financial investors are also possible here. This type of development can have positive or negative impacts on our unit sales and revenue, which it is not yet possible to assess. The Wacker Neuson Group is countering this risk through close customer communication and further building its brand.

We are continuing to stock our rental and demo fleets with compact equipment. The income from renting this equipment will be distributed over the subsequent four to six years. There is a risk that the planned proceeds from the sale of demo products and end-of-life equipment from the rental pool and the proceeds from the rental of new machines will not materialize. We are minimizing this risk by actively driving the sales and rental business.

The value of goodwill and indefinite-lived brands is verified during the annual impairment test. For this purpose, the book value is compared with the fair value. The fair value is determined using the discounted cash flow method. Value is impaired if the fair value, less selling costs, is lower than the book value. Impairment losses did not need to be written down in fiscal 2008. It is currently unclear whether this will also be the case in fiscal 2009. However, should the compact equipment segment in particular not develop as planned, write-downs on goodwill may become necessary in future as a result of an impairment test.

Planned company restructuring measures could prove difficult, time-consuming or cost-intensive, or entail tax and other disadvantages for shareholders.

Performance-related risks (risks associated with procurement, production, sales, and research and development)

There is a risk that our company might not be able to achieve planned revenue and profits if individual distribution partners do not sell the expected volumes of our products. We are countering this by pursuing a contact management policy tailored to the needs of our sales partners.

The Group requires components and raw materials to manufacture its products – particularly steel, aluminum and copper. Our production uses structural steel components and precast parts, for instance, as well as hydraulic and chassis components containing varying amounts of crude steel. Prices for energy and key raw materials are currently subject to extreme fluctuations. The evolution of raw material prices and their impact on manufacturing costs are still difficult to predict. The company thus prefers contracts to its advantage. So it is in a position to take advantage of any potential falls in price.

Wacker Neuson also relies on third-party components and raw materials being free of defects and meeting the relevant specifications and quality standards. Defects here can result in quality problems as well as delays to our production processes and therefore to our shipments. We address this risk with our quality management system, which also covers supplier relations.

In view of the market conditions, we cannot exclude that certain of our current customers may face financial difficulties, possibly culminating in insolvency. This in turn would lead to a rise in accounts receivable and a subsequent increased risk of a default. We counteract the risk of changes in individual customers' payment patterns through our active accounts receivable management policy.

The Wacker Neuson Group depends on developing new products and introducing these to the market in good time. Here it is essential to comply with national and international guidelines and new legislation and to observe them in our product development. If this does not continue to happen, our competitive position and growth opportunities may be impaired. The company's research and development department therefore continuously works to develop new products and enhance our existing portfolio, always aligning its activities with market demands and observing applicable regulations, laws and directives.

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

The Wacker Neuson Group operates worldwide and therefore generates part of its revenue in currencies other than the Euro. Exchange rate fluctuations could therefore affect the company's key results. The Group implements currency hedging to counter the effects of negative exchange rate trends. Wherever possible, we pursue natural hedging policies.

We use standard financial instruments such as interest rate swaps and foreign exchange forward contracts and options exclusively for hedging purposes and to minimize risks. To acquire Weidemann GmbH in 2005, we arranged a URIBOR-based loan with a fixed margin and semi-annual interest and principal payments. 100 percent of the interest risk on the outstanding loan is hedged by a financial derivative (forward interest-rate swap).

The international financial market crisis has increased the risk of banks calling short-term loans, forcing their customers to take out loans at higher interest rates to ensure liquidity. There is also a risk that the collapse of a national credit institute could result in the loss of bank balances or credit lines by a company in the Wacker Neuson Group. The company is mitigating this risk with an active investment and banking policy.

Legal risks (risks related to pending legal proceedings, patent and trademark law, and tax law)

A potential risk is that the company may be unable to protect its intellectual property sufficiently, which could impair its competitive ability. We are counteracting this risk through intensive patent and intellectual property management.

Warranties and product liability claims can result in claims for damages and injunctions. We are minimizing this risk by taking the greatest of care in the development and manufacture of our products and in the drafting of contracts, and also through the systematic enforcement of those contracts. The Group also minimizes the risk of disputes with third parties over intellectual property rights through extensive prior investigations and research.

No legal proceedings are currently underway or pending that might pose significant risks to the Wacker Neuson Group's financial situation. The Group has concluded insurance policies worldwide to protect against liability risks and potential damages attributable to the company.

Other risks (risks associated with human resources, IT and the environment)

The company uses numerous IT systems in logistics, procurement and production. Failure of these systems could negatively impact on our production and goods flow and lead to loss of sales. SAP systems are currently being rolled out in several areas. We are pursuing a strict project management policy to counter risks that can occur during the implementation of global systems as well as to prevent additional costs.

Increasingly strict regulations to reduce noise and environmental impact and measures to ensure user protection can entail additional costs for the Wacker Neuson Group. We counteract risks from increasing legal obligations through active and prompt implementation.

Despite current market developments, the Wacker Neuson Group is looking to recruit qualified mechanical engineers as appropriate. A downturn in the labor market could prevent us covering our need for qualified staff. The company is countering this risk with dedicated recruitment efforts.

Summary of Group risk situation (assessment of risk situation by the Executive Board)

Due to the economic trends described here, the company has identified more risks than in the previous year.

Viewed in terms of percentage of overall risk, our main risks lie in the performance-related and financial categories. Together, these represent around 91 percent of the total risk to our Group.

We are not currently aware of any other significant risks to the Group. Furthermore, we have not identified any individual or collective risks to our continued existence as a going concern that might negatively affect individual companies within the Group or the Group as whole in the foreseeable future.

Distribution of risk[1]
in % (previous year)

Risk category	Percentage share of total risk
Performance-related risks	54.0 (71.0)
Financial risks	37.4 (13.8)
Strategic business risks	2.6 (4.9)
Other risks	3.6 (5.9)
Environment and industry risks	1.1 (3.8)
Legal risks	1.2 (0.6)

[1] Differences attributable to rounding

IX. Information in accordance with Section 315 (4) and Section 289 (4) of the German Commercial Code (HGB) as well as the Executive Board report in accordance with Section 120 (3) sentence 2 of the AktG (German Stock Corporation Act)

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 120 (3) sentence 2 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) of the HGB as well as the corresponding explanatory comments pursuant to Section 120 (3) sentence 2 of the AktG.

Composition of subscribed capital

At December 31, 2008, the company's share capital amounted to EUR 70,140,000, divided into 70,140,000 individual no-par-value nominal shares, each representing a proportionate amount of the share capital of EUR 1 according to Article 3 (2) of the Articles of Incorporation of Wacker Construction Equipment AG. 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. Each share entitles the bearer to one vote at the AGM. Any treasury shares held by the company do not entitle it to any rights (Section 71b AktG). Under the terms of Section 67 (2) of the AktG, registered shares only confer shareholder rights vis-à-vis the company to those shareholders entered as such in the stock register.

Restrictions affecting voting rights or the transfer of shares

Information on the pool agreement

There is a pool agreement between some shareholders and companies of the Wacker family on the one hand, and companies and shareholders of Neuson on the other. 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. The Neuson shareholders appoint two members to the Supervisory Board, and the Wacker shareholders appoint two further members to the Supervisory Board.

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 are. 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

Part of the Wacker family 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 family 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 family shareholders define how they will vote and exercise their petitioning rights. However, votes in the AGM are to be cast in line with the pool's decisions. Two of the Wacker family 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 family members who are party to the pool agreement. In the case of a sale by a family member 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 family 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 family shareholder does not receive compensation in cash but in the form of the shares to which they are financially entitled. After May 14, 2012, each exiting family member can demand to receive their compensation in the form of the shares to which they are financially entitled.

Pool agreement between Lehner and Neuson shareholders

The Lehner shareholders have issued a Neuson shareholder with power of attorney with regard to the shares they acquired prior to the merger and during the merger between the company and Neuson Kramer Baumaschinen AG (now Wacker Neuson Beteiligungs GmbH). The Neuson shareholder is independently responsible for exercising these voting rights. He is not subject to any instructions, and will always exercise these in the same way as for the shares that he himself holds. These shares are thus subject to the restrictions of the pool agreement mentioned above.

The Neuson shareholder has a preferential purchase right to buy these shares in the event of a transfer to entities other than the Neuson shareholder or to Lehner shareholders.

Shares that part of the Executive Board members received as part of their remuneration

Three of the members of the Executive Board have received shares in the company as part of their remuneration. The company has an unrestricted, preferential purchase or acquisition right over some of these shares in the event that they are transferred.

The Executive Board is not 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

The Executive Board is aware of the following direct or indirect participating interests in the share capital of the company that exceed 10 percent of voting rights at December 31, 2008:

in % at Dec. 31, 2008	Direct share of voting rights	Voting rights allocated to the stakeholder[1]	Percentage of voting rights in total[1]
Stakeholder with duty to disclose interest			
Wacker Familiengesellschaft mbH & Co. KG	5.29%	59.09%	64.38%
Wacker-Werke GmbH & Co. KG	29.07%	35.31%	64.38%
IWZ AG		64.38%	64.38%
VGC Invest GmbH	5.06%	64.38%	69.43%
Christian Wacker	0.46%	64.38%	64.84%
Dr. Ulrich Wacker		69.43%	69.43%
Andreas Wacker	0.46%	64.38%	64.84%
Barbara von Schoeler	0.26%	64.38%	64.64%
Petra Martin		64.38%	64.38%
Dr. Andrea Steinle		64.38%	64.38%
Ralph Wacker	0.46%	64.38%	64.84%
Susanne Wacker-Waldmann	0.46%	64.38%	64.84%
Benedikt von Schoeler		64.38%	64.38%
Jennifer von Schoeler		64.38%	64.38%
Leonard von Schoeler		64.38%	64.38%
AW Holding Inc.		64.38%	64.38%
Alexander Wacker		64.38%	64.38%
Trustee		64.38%	64.38%
Vicky Schlagböhmer		64.38%	64.38%
Christiane Wacker		64.38%	64.38%
Georg Wacker		64.38%	64.38%
Baufortschritt - Ingenieurgesellschaft mbH		64.38%	64.38%
PIN Privatstiftung	0.00001%	64.38%	64.38%
NEUSON Industries GmbH	0.00001%	64.38%	64.38%
Hans Neunteufel	0.00001%	64.38%	64.38%
NEUSON Ecotec GmbH	29.01%	35.37%	64.38%
Martin Lehner	0.46%	64.04%	64.51%
Adolf Lehner	0.33%	64.04%	64.38%
Herta Lehner	0.33%	64.04%	64.38%

[1] Votes bounded through the synidcate agreement (see page 59) are added together

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 of the AktG. According to Article 5 (1) of the Articles of Incorporation of Wacker Construction Equipment AG, the Executive Board of Wacker Construction Equipment AG comprises one or several members. The Supervisory Board determines the number of members of the Executive Board (Article 5 (2) sentence 1 of the Articles of Incorporation). The Supervisory Board appoints and dismisses members of the Executive Board. Members of the Executive Board of Wacker Construction Equipment AG are appointed for a maximum period of five years (Sections 84, 85 of the AktG). 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 (Article 5 (2) sentence 2 of the Articles of Incorporation).

Sections 179 ff of the AktG must be observed in the event of changes to the Articles of Incorporation. The AGM resolves on changes to the Articles of Incorporation (Sections 119 (1) No. 5 and 179 (1) of the AktG). The Supervisory Board is authorized to resolve changes to the Articles of Incorporation that only affect the wording (Article 14 of the Articles of Incorporation). Resolutions by the AGM of Wacker Construction Equipment AG are passed with a simple majority of votes cast and, to the extent that the law requires a majority of capital represented in addition to a majority of votes cast, with a simple majority of the share capital represented when the resolution is passed to the extent that mandatory statutory regulations require a larger majority of votes cast or capital represented; votes withheld do not count as votes cast (Article 20 (1) 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 way of a resolution by the AGM on June 3, 2008, the Executive Board is authorized, with the prior approval of the Supervisory Board, to acquire 7,014,000 treasury shares via the stock exchange by December 2, 2009. This acquisition may also be performed by one of the company's group companies 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 may 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 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 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 members of executive bodies of associated companies within the framework of an executive profit-share model, which has yet to be approved by the Supervisory Board. The Supervisory Board will determine the extent to which shares will be sold to members of the Executive Board within the framework of this plan when deciding on the overall executive profit-share model. In addition, the Executive Board is authorized, with 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 is excluded to the extent that these shares are redeemed or old according to the above authorizations.

Authorized Capital I

According to Article 3 (3) of the Articles of Incorporation of Wacker Construction Equipment AG, the Executive Board is authorized to increase the company's share capital by April 12, 2012, 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 1,000,000 (Authorized Capital I).

Shareholders' statutory subscription rights are excluded:

- If employees of the company and its affiliates and executive bodies of affiliates (to the extent that these are not simultaneously members of the company's Executive Board) are offered shares at an issue price that is 15 percent lower than the issue price;
- For fractional amounts;
- Otherwise, if the issue price of the new shares is not significantly below the company's market price and the new shares issued to the exclusion of subscription rights do not exceed a total of 10 percent of the share capital, neither at the time the authorization takes effect, nor at the time of exercising. Shares must be added to the above 10 percent threshold that are issued or are to be issued to service options or convertible bonds to the extent that the bonds are issued in corresponding application of Section 186 (3) sentence 4 of the AktG excluding subscription rights; in addition the sale of treasury shares is to be added if the sale was made as a result of a valid authorization to sell treasury shares that applied on the date that Authorized Capital I came into effect in corresponding application of Section 186 (3) sentence 4 of the AktG excluding subscription rights.

Subject to the approval of the Supervisory Board, the Executive Board also decides on the content of the respective share rights and the other conditions of the share issue including the issuing amount.

Authorized Capital II

According to Article 3 (4) of the Articles of Incorporation of Wacker Construction Equipment AG, the Executive Board is authorized to increase the company's share capital by April 12, 2012, with the approval of the Supervisory Board, by issuing new, registered shares against non-cash contributions, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 5,360,000 (Authorized Capital II).

The shareholders' statutory subscription rights are excluded to grant shares against the contribution of companies and participating interests in companies or parts of companies to the company.

Subject to the approval of the Supervisory Board, the Executive Board also decides on the content of the respective share rights and the other conditions of the share issue including the issuing amount.

The authorized capital amounts described above reflect the practices typical of listed businesses similar to the company. 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 company has the following key agreements with companies that are subject to a change of control clause:

The conditions of the master credit agreement in the original amount of EUR 50 million to finance the acquisition of the Weidemann Group in 2005 include an extraordinary right on the part of the lender to terminate the credit line in the event of a change to the company's shareholder structure.

A credit agreement for a revolving line of credit for EUR 65 million to finance working capital requirements for the company grants the lender the right to extraordinary termination of the agreement if there is a change of control at the company. According to the credit agreement, there is a change of control if a different person acquires or takes over at least 50.01 percent of voting rights in the company, or ascertains that they hold this amount. Voting rights are allocated in accordance with Section 30 of the Wertpapier-Übernahmegesetz (WpÜG – German Acquisition and Takeover Act).

A further credit agreement for a revolving line in the amount of EUR 10 million to finance working capital requirements for the company grants the lender the right to terminate the agreement at any time if the shareholder families no longer jointly hold at least 50.01 percent of shares in the company.

Compensation agreements between the company and the members of the Executive Board or its employees for the event of a takeover offer.

There is no such agreement.

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.

X. Remuneration framework

Information on the Executive Board

According to the Vorstandsvergütungs-Offenlegungsgesetz (German Executive Board Remuneration Disclosure Act), 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 2006 to 2010 by way of a resolution by the AGM on May 15, 2006.

The Executive Board's remuneration is defined by the Supervisory Board's Executive Committee 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
- Special bonus
- Transitional pay, compensation upon an early exit
- 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 consolidated earnings after taxes, taken from the approved consolidated financial statements for the respective fiscal year. An upper threshold for the variable remuneration has been agreed in the same amount for all Executive Board members.

Members of the Executive Board also receive a special bonus. For part of the Executive Board, this bonus is tied to financing the purchase of company shares within the framework of an executive profit-share model with a view to binding the Executive Board members to the company in the long term. The other members of the Board shall receive the special bonus during the interim period pending introduction of a new executive profit-share model.

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 and the special bonus. If the contract is terminated after the age of 55 and prior to the member reaching the age of 61, the 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. Widows and dependant children receive corresponding payments for a limited period.

The non-cash remuneration and other remuneration includes a subsidy for private life insurance, premiums for life insurance in favor of the Executive Board members, premiums for accident insurance, the use of a company car, etc.

The members of the Executive Board receive an old-age pension for life upon reaching the age of 61 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 or professional incapacity, and a widow's and orphans' pension is paid in the event of death. Other remuneration may also be added to these amounts payable.

Information on the Supervisory Board

According to the Articles of Incorporation, members of the Supervisory Board receive remuneration determined by the AGM. By way of a resolution dated July 4, 2003 (in the wording of the resolutions dated May 15, 2006 and April 13, 2007), the Annual General Meeting set fixed and variable remuneration for the members of the Supervisory Board for each fiscal year. The fixed remuneration for each individual member of the Supervisory Board totals EUR 20,000. The Chairman of the Supervisory Board receives twice this amount, and his/her Deputy receives 1 ½ times the fixed remuneration. Members of committees receive an additional remuneration, with the Chairman of each committee receiving twice the regular committee remuneration. In addition, the members of the Supervisory Board receive a meeting fee for each Supervisory Board meeting in which they participate.

The variable remuneration for the individual members of the Supervisory Board is based on the consolidated earnings after taxes. It is capped at 1 ½ 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. Meeting fees are added to the variable remuneration. 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.

XI. Supplementary report

Events/transactions of particular importance since the reporting date

On June 3, 2008, the AGM approved changing the legal form of the company to a European company (Societas Europaea, SE) and renaming it Wacker Neuson SE. On January 14, 2009, the Executive Board of the former Wacker Construction Equipment AG together with a committee of 23 employee representatives from the company's affiliates and operations in 17 different European countries, signed an agreement outlining the procedural guidelines involved in informing and consulting employees in Europe as well as employee participation in the future Wacker Neuson SE Supervisory Board. Mr. Herbert Santl and Mr. Elvis Schwarzmair were appointed to the Wacker Neuson SE Supervisory Board as employee representatives. In the constituent meeting of the Wacker Neuson SE Supervisory Board on February 11, 2009, the former members of the Wacker Construction Equipment AG Executive Board were appointed to the Executive Board of Wacker Neuson SE. Wacker Neuson SE was entered in Register of Companies on February 18, 2009. Wacker Neuson SE's legal charter remains almost identical to that of Wacker Construction Equipment AG.

On March 12, 2009 Wacker Neuson Linz GmbH (Austria), an affiliate of Wacker Neuson SE, purchased an approximately 160,000 m² tract of land in the district of Hörsching (Austria). The company has thus executed its option agreement to purchase the site, which was due to expire at the end of March, 2009. The purchase price is approximately EUR 9.2 million. The construction of a new production plant will not commence before 2010.

Impact on profit, finances and assets

Despite the above mentioned exception the aforementioned development does not have any influence on profit, finances and assets.

XII. Opportunities and outlook for future development of the Wacker Neuson Group

Overall economic outlook

- Global impact of financial crisis
- Uncertainty over the duration of financial crisis
- Governments shore up economy

Experts anticipate 2009 to be characterized by a worldwide recession and only forecast an upturn in the global economy in the coming year if the banking sector can be stabilized worldwide. This would not only ease inflation, but also strengthen consumer purchasing power and corporate investment patterns. According to IMF experts, real global gross domestic product (GDP) for 2009 is set to rise by just 0.5 percent. World trade volume is expected to fall by 2.8 percent. Countries with major financing or construction sectors and whose economic growth is primarily linked to exports are set to be hit particularly hard here. Falling raw material prices and policy actions initiated by national governments may stimulate local economies.

According to economic experts, several real economies including Brazil, Russia, India and China (BRIC) may again experience robust growth rates in 2009. However, this economic upturn is also expected to be slowed by a number of factors such as falling exports and investments. Economic forecasts for Asia, Oceania, plus Central and Latin America have been adjusted downwards.

Experts in the US expect the economy to remain extremely weak. The US central bank also anticipates a further downturn in the US economy in 2009, and does not see brighter prospects before 2010. According to the Ifo Institute, GDP in 2009 is set to fall by 1 percent in real terms. Experts predict a real-term decrease in GDP of 0.3 percent for Canada, compared with a 3.1 percent rise in Central and Latin America.

The Asian economy is set to remain stable, although a slight downturn is expected for East Asia and China due to tapering exports. Average annual growth for the Asia region is forecast at 3.0 percent until 2010. The outlook for China, however, is significantly healthier, with real GDP set to grow by 7.5 percent, fuelled by a range of factors including the expansion of infrastructure projects. In India and Asian emerging economies, growth is expected to slow down.

Prospects for almost all EU states are less than optimistic for 2009. The economic climate has cooled dramatically in this region. The EU Commission anticipates a recession and expects that EU GDP will contract 1.8 percent in 2009, recovering somewhat in 2010. Central and Eastern European countries are also set to experience a sluggish climate in 2009. Furthermore, experts expect increasingly stringent lending policies, which will further dampen companies' propensity to invest. Real GDP in Europe is expected to fall by 1.1 percent.

The crisis on the international financial markets and the threat of global recession are a particular threat to Germany due to its almost unique dependence on the global economy. Due to the country's heavy reliance on exports, the EU Commission and the German government expect Germany to enter a hard-hitting recession and GDP to shrink around 2.5 percent. Deutsche Bank puts this figure even higher at five percent. The situation is not set to improve until 2010.

Outlook for construction and agricultural industries

- Construction industry dependent on dynamics of economy as a whole
- Stable prospects for the agricultural industry
- High demand worldwide for construction work

The prospects for the construction industry for 2009 are dampened by the threat of global recession, despite the fact that numerous infrastructural investments are pending worldwide, including road, rail, transport and telecommunications projects. A number of governments have already included measures aimed at promoting infrastructure and public education in their economic recovery plans, which will provide impetus for the construction industry. However, experts across the globe are predicting that real estate prices will drop significantly, which will cause construction investment to drop. In the long term, prospects for non-residential construction in particular are good. The Organization for Economic Co-operation and Development (OECD) estimates the worldwide demand for infrastructural investment at USD 70,000 billion.

If the American construction industry is to recover, the real estate market must stabilize. Although investment in residential construction is due to decrease in 2009, at just

1.6 percent the rate of decline is less severe than that experienced over the past two years. A number of indicators point to a decrease in non-residential construction over the course of 2009. This means that a lot will depend on how quickly the investment program agreed by the US Congress to the value of approximately USD 800 billion can be channeled into the construction and improvement of highway and bridge infrastructure. The Association of Equipment Manufacturers (AEM) predicts a fall of 1.9 percent in the demand for light equipment in the US in 2009.

In India, construction industry sales are expected to quadruple to USD 13 billion by 2015, due to increased demand for compact equipment to support infrastructure projects. In 2009 in China, approximately USD 3 billion is due to be invested in infrastructure projects.

A downturn is forecast for the European construction industry in 2009. Experts from Euroconstruct predict that the European construction market will shrink in 2009 by 4.3 percent. This figure is estimated at 4.8 percent for Western Europe. Only commercial and underground construction are expected to develop positively, with the help of vital infrastructure projects aimed at road and rail networks, telecommunication services, water supplies, renovation and modernization works, public education buildings, and climate and environmental protection. Euroconstruct's experts predict declines in the non-residential construction market of 3.6 percent in 2009 and 0.6 percent in 2010. The outlook is particularly bleak for the non-residential construction market in Western Europe, with a fall of 4 percent predicted for 2009 and a further drop of 0.8 percent in 2010. In Central and Eastern Europe, growth in 2009 will drop to 2.5 percent. Growth will also be stunted in European underground construction in 2009, estimated at just 0.5 percent. In 2010 and 2011, an average growth rate of 3.7 percent respectively is expected. The negative trend on the European housing market will continue in 2009. Euroconstruct's experts forecast a drop in residential construction of 7.1 percent. For 2010, they predict a fall of 0.5 percent. Experts predict an end to the crisis in the European housing market in 2011 at the earliest.

In Germany, experts predict that construction investments in 2009 will be put on hold and the market will contract. Forecasts show that 2009 revenue will match the previous year's level and investment in construction will drop by about 0.6 percent in 2009. Investment in commercial construction is expected to decline by 1.3 percent. Investments in residential construction are expected to fall by 0.9 percent. The economic action plan initiated by the German government could help relieve the investment deadlock at municipal level. Projects to improve municipal infrastructure, extend and reconstruct highways, and improve telecommunications and the rail network may also provide impetus. Euroconstruct predict a 0.5 percent growth in underground construction in Germany through 2010 and 2011. Non-residential construction is predicted to fall by 0.3 percent in 2009, but show an average annual growth of 0.5 percent between 2009 and 2011. The outlook for the renovation and modernization sectors in the years from 2009 to 2011 is moderately positive.

Opportunities in the agricultural industry

Experts' outlook for the agricultural industry is positive, in spite of the negative prospects in the construction industry, as agriculture is subject to different cycles. The agricultural industry is also gaining in weight as an economic driver in certain countries as the demand for food and alternative fuels continues to grow. This is fuelling demand for technical production equipment. However, the VDMA forecasts a slight drop in sales of agricultural machinery for 2009, with worldwide growth not expected until 2010 and 2011.

The VDMA predicts that the current structural shift prompting a decrease in the number of agricultural holdings and an increase in size of those holdings will continue at the present rate. The pressure to increase production of foodstuffs and animal feed, as well as renewable resources remains high. Experts therefore predict an increase in the mechanization of land cultivation, which will drive worldwide demand for agricultural machinery in the long term.

Opportunities and outlook for the future development of Wacker Neuson SE

- **Efficient business model**
- **Medium and long-term growth opportunities, despite market uncertainty**
- **Business developments hard to predict for 2009 at the present time**

The Wacker Neuson Group is adhering to its long-term growth strategy and is well-positioned with its current business model. To achieve the goals set down in our business strategy, we intend to invest wisely and drive growth across all regions and business segments.

In view of the predicted general economic recession and unfavorable outlook for the international construction industry, we are cautious with regard to projections for the 2009 financial year. We are therefore focusing especially on adapting our organizational structure and internal processes to reflect current market dynamics.

Development outlook by region

The Wacker Neuson Group aims to strengthen its leading market position as a provider of light and compact equipment to the construction and agricultural industries worldwide. To promote growth in all regions, we are systematically aligning our activities with local market requirements. This is aimed at meeting growing customer demands for individual sales, rental and service solutions that align with local market dynamics on the one hand, and at gaining new customers on the other.

Due to the recession in the construction industry, we expect a challenging business climate in Europe in 2009 and anticipate increased competition. Eastern Europe is the area where we see the most opportunities for 2009, particularly due to increasing state-sponsored investment in infrastructural projects. We also identify potential in the expansion of our launch strategy for compact equipment in countries where we have not sold this equipment in the past, as well as in the expansion of our rental business in Central and Eastern Europe. The Wacker Neuson Group continues to concentrate on improving internal processes, not only in the areas of production and logistics, but also in the tighter alignment of our sales and service network with market requirements.

In the Americas region (particularly in the US), we anticipate that conditions will remain difficult during the 2009 financial year, due to the ongoing subprime crisis. Nevertheless, we aim to continue actively implementing measures to introduce compact equipment in the US and expand our network of exclusive Wacker Neuson dealers.

It remains to be seen to what extent the global economic downturn will affect the Asia region. We aim to capitalize on the current positive construction industry climate in this region, including the infrastructure segment. In particular, we will continue to expand our sales networks in China and India to enhance our market position as a provider of high-quality products and services.

Development outlook by business segment

The Wacker Neuson Group's aim for fiscal 2009 and beyond is to consolidate its strong market position. We will be focusing strongly on changing customer needs, as well as service offerings tailored to market dynamics.

We are adapting our product portfolio to further enhance our leading market position. To this end, we will be introducing new, high-quality products and product variants in the light and compact equipment segments to meet concrete customer demands. These products will be designed to meet the latest user safety and environmental protection requirements. We will also continue to introduce compact equipment via our existing worldwide sales and service network.

The agricultural industry is tending towards larger holdings in Europe, which is fueling a rise in rationalization investments. This is flanked by increases in EU agricultural subsidies, and we are keen to capitalize on the additional opportunities this is opening up for agricultural products under our Weidemann brand over the coming years.

Development in our services business segment is extremely positive. Here we are focusing on adapting the rental business in Central and Eastern Europe, as well as aligning our sales and service network with current market dynamics and customer requirements. We intend to further develop our service offering to reflect evolving customer needs, particularly in the spare parts and repairs business.

Company forecast

Capitalizing on medium and long-term opportunities

In our view, long-term prospects for the Wacker Neuson Group are good, even if short-term prospects are overshadowed by the economic downturn. The Executive Board does not expect the comprehensive economic recovery plans to have any positive effect on the construction industry until the end of 2009 at the earliest, despite increased demand for construction projects in the infrastructure sector.

The company is prepared for the fact that the anticipated worldwide downturn in the construction industry may well last into 2010 and may continue to impact on customer ordering patterns against the backdrop of intensified competition. Noteworthy here is the fact that the 2008/2009 winter period in the Europe region was more severe than the same period the previous year. Due to this market uncertainty, it is difficult to precisely predict sales or profit before interest, tax, depreciation and amortization (EBITDA). We have thus decided not to publish a forecast for 2009, but expect a drop in sales and earnings.

Taking a long-term view, opportunities in the construction industry will arise from climate change and a greater focus on environmental policies. The rise in weather-related damage, coupled with the necessary cleanup and repair work, will increasingly place the spotlight on preventive measures. This will be flanked by roadway reconstruction projects, more efficient repair procedures and redevelopment of residential property with a view to increasing energy efficiency. Our global presence and proximity to our customers in key target markets, as well as the renowned quality of our products and services, particularly after the merger, give us added confidence in our ability to continue expanding our leading global position in the medium to long term.

In the medium term, we will also consider strategic acquisitions where these enhance our product portfolio to the benefit of our customers and increase our opportunities for international expansion.

In the current fiscal year, we want to place particular focus on securing our strong finance and asset status. For this reason, we have significantly reduced planned investments. In 2009 we plan to invest approximately EUR 60 million compared with EUR 101.8 million in fiscal 2008. Measures aimed at reducing costs have been initiated in a number of areas and are being implemented. This includes extending flexibility in terms of working hours, short-time working and deferral of investment projects. We are also planning to further reduce our sales and administration costs.

Planned investments (extract)

in € million	2009
Expansion of rental business in Central and Eastern Europe	10.0
Construction of new center for research and development in Munich, Germany	16.0
Purchase of land in Hoersching, Austria	9.2
Investments for improving production processes	4.0
Expansion of sales and service station	5.0

The Wacker Neuson Group is financially stable, showing liquidity of EUR 67.5 million and an equity ratio of 77.4 percent. We aim to keep net debt as close as possible to last year's level. We also plan to lower our working capital.

At the AGM in Munich, May 28, 2009, the Executive and Supervisory Boards will propose a dividend of EUR 0.19 per eligible share. This ensures the continuance of our dividend policy, but also reflects current market dynamics.

Summary forecast

Due to difficult market conditions, we are expecting sales and earnings to fall in the current fiscal year. However, we forecast that the investment deadlock will begin to ease from 2010 onwards, which will lead to renewed demand for construction projects and therefore construction equipment. Our product portfolio and service offering are still in demand on the market. We are determined to consolidate and expand our market position in order to emerge strengthened from these times of crisis.

Munich, March 23, 2009

Wacker Neuson SE, Munich, Germany
(Wacker Construction Equipment AG until February 18, 2009)

Executive Board

Dr.-Ing. Georg Sick
(CEO and President)

Martin Lehner
(Deputy CEO)

Richard Mayer

Günther C. Binder

Werner Schwind