Annual General Meeting 2009

Speech delivered by Dr.-Ing. Georg Sick

CEO and President

Check against delivery

WACKER NEUSON

Dear Shareholders and Guests,

At our company’s AGM last June, you resolved to change the name and legal form of Wacker Construction Equipment AG to Wacker Neuson SE. This process was completed on February 18, 2009 when the new name was entered in the German Register of Companies in Munich. So, on behalf of the entire Executive Board, it is now my very great pleasure to welcome you to the first AGM of Wacker Neuson SE.

I would first like to give you greater insights into the strengths of the Wacker Neuson Group. These strengths have powered our successful growth over the last 161 years; adding value to our customers and resonating clearly among them. Even in these challenging times, we continue to build on these strengths, ensuring we will be in an even stronger position to capitalize on the inevitable upswing.

I am delighted to report that, despite the global economic crisis, the Wacker Neuson Group has maintained its strong financial position throughout both fiscal 2008 and, in particular, the first months of the current year. This includes our positive operative cash flow, consistently low net financial debt and strong equity ratio, which remains high at 77 percent. Measured against the equity ratio of all 160 companies listed on the DAX, MDAX, SDAX and TecDAX, ours ranks an impressive sixth as of end of april 2009. Viewed in conjunction with the credit lines at our disposal, our assessment is therefore that we are well equipped to weather this crisis. The company has also seen solid growth over the past years, despite the numerous national crises within the construction industry. This growth was originally organic in nature, then supplemented from 2005 by well targeted acquisitions within our strategic development plan. These have all progressed very well. Of particular note here is our acquisition of Weidemann GmbH in 2005, which significantly increased our expertise in the compact equipment segment and gained us a foothold in the agricultural industry. This affiliate generated sales in excess of 100 million euros for the first time last year, thus more than doubling its result since 2005.

It goes without saying that the merger between the former Wacker Construction Equipment AG and former Neuson Kramer Baumaschinen AG has had a major impact on the future of our company. This took place in fall 2007, so fiscal 2008 was the first full financial year for the Wacker Neuson Group. In that year, we took substantial steps towards consolidating the two companies. My Executive Board colleagues and I are very satisfied with progress at all levels here, as well as the synchronization of business processes across the organization as a whole. The operational and structural results to date also confirm our conviction that the merger was the right strategic move, helping to secure the long-term substance and success of our new organization.

The merger also plays a key role in cementing our leading global position within the international construction industry. Our business model focuses exclusively on the construction and agricultural sectors. In Europe, we distribute construction equipment under the Wacker Neuson and Kramer Allrad brands, and outside Europe only under Wacker Neuson. We distribute agricultural equipment under our proprietary Weidemann brand and through the agricultural machinery supplier CLAAS for telescopic handlers.

The response to the merger from our customers and sales partners has been resoundingly positive. Our portfolio of light and compact construction equipment is unparalleled in scope and quality throughout the industry worldwide. The high standard of product and service quality is a key success factor at Wacker Neuson and we continue to place as much value on quality during these turbulent times. This stance is confirmed by numerous market surveys on investment requirements in the construction industry, with positive results encouraging us to continue driving measures to gain market share and increase penetration. Our worldwide sales and service network is a decisive advantage here, comprising over 30 affiliates and more than 180 sales and service stations. During the last year, we expanded this network further by opening an affiliate in India and numerous sales stations in Eastern Europe. We also collaborate with over 12,000 sales partners across the globe.

Intensive communication with our customers and sales partners worldwide remains a priority for Wacker Neuson. Proximity and in-depth dialogue with our customers form a key element of our value-oriented corporate culture, which I view as instrumental to our company’s past and future success. This approach gives us access to important information that helps us improve the performance of our products, increase user safety and meet growing requirements regarding the environment and wider society. As a company, we foster honest customer relations and a fair competitive landscape. We expect and reward initiative and empower both business units and customer-facing employees to act autonomously and add value to their customers. We also support young people by offering career training in industrial and business roles.

As you, our shareholders, are already aware, business development in fiscal 2008 was atypical in many respects. As expected, light equipment sales already fell below the previous year’s figure in the first half due to the flagging US market. However, the opposite held true for compact equipment. Still largely concentrated in Europe, this segment experienced dynamic growth. From mid-2008, the financial and banking crisis had a significant impact on the construction industry, and therefore hit our product sales in both business segments. Only our service offering and sales of agricultural products remained buoyant throughout the year. So looking back, I am glad we already started gearing the company towards a rapid downturn in construction markets and initiating cost-cutting measures halfway through 2008.

However, none of this deterred us from taking further important steps to realize our long-term growth strategy last fiscal year. A particular focus here was the global launch of compact equipment acquired through the merger via our existing sales and service network. This mainly concerned Spain, France, Great Britain, Switzerland and the US. Customer feedback was and remains decidedly positive here. Another success in 2008 was establishing a network of US dealers that exclusively distribute Wacker Neuson products. Progress here was somewhat slower than anticipated due to the economic crisis.

We also largely stocked our rental fleet with compact equipment from our own production facilities. We did this knowing that it would come at the expense of short-term profits realized through external sales. However, although the proceeds will be spread over a four to six-year period, these rental investments in 2008 constitute another important milestone in the move to extend the market reach of our compact class. We were particularly successful in expanding the rental business in Central and Eastern Europe, especially in countries where we are not in direct competition with our key accounts.

We also continued expanding our production capacity. The new Weidemann GmbH plant constructed in Korbach was completed in November 2007. Articulated wheel loaders for the construction and agricultural industries are now manufactured here. This was soon followed by our new facilities in Manila (Philippines), which went stream early in 2008, manufacturing a range of products including small vibratory plates distributed under the Wacker Neuson brand. Furthermore, the new plants in Norton Shores (US) and Pfullendorf (Germany) were also completed ahead of schedule. Products manufactured at the Norton Shores facilities include Wacker Neuson portable hydronic heaters and lighting equipment. All-wheel drive wheel loaders and telescopic handlers are manufactured at Pfullendorf and distributed under the Kramer Allrad brand. Unfortunately we were forced to close our production plant in Tredegar, Wales (UK) and relocate wheel dumper production to our Linz site in Austria. Regrettably, this move also involved staff rationalization. 2008 also saw us complete work on our European training center at the Reichertshofen production site in Germany.

During the course of 2008, we expanded our portfolio to include 63 new products or product variants. We implemented a host of technical innovations that fulfill – and in some cases significantly exceed – all legal guidelines governing environmental and user protection. The reduction of hand-arm vibration values is a case in point here. We completely reengineered our WM 80 two-cycle motor. Used in gasoline vibratory rammers and breakers, WM 80 now satisfies all global emission guidelines. The vertical digging system we developed for our excavators enables operators to adjust the chassis to navigate differences in surface heights during excavation work. This allows for a cost reduction of up to 25 percent.

Overall, we succeeded in exploiting numerous market opportunities throughout fiscal 2008. Nevertheless, Group revenue and earnings reflected adverse market trends in fiscal 2008. At the beginning of 2008, we anticipated sales to cross the billion-euro mark and projected a margin of at least 17 percent on profit before interest, tax, depreciation and amortization (EBITDA) following purchase price allocation. 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. We achieved these revised targets, partly through tight cost management. In fiscal 2008, the Wacker Neuson Group grew sales 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).

The Neuson Kramer subgroup in particular felt the effects of falling demand for compact equipment in the second half of 2008. However, it was possible to compensate for this by stocking our own rental pool and demo fleets. Our affiliate Weidemann GmbH enjoyed positive results last year, with sales growing 27.0 percent from EUR 84.7 million to EUR 107.5 million as a result of brisk demand from the agricultural industry.

Market dynamics had the biggest impact on revenue and product sales in Europe and the US. In Europe, major western European markets in Spain and the UK in particular felt the full force of the market downturn. Caution increased among construction companies across Europe and orders were deferred or even canceled, leading to heightened competition and increasing price erosion. In Eastern Europe, our affiliates benefited from healthy levels of construction activity, driven in particular by infrastructure, modernization and residential projects. Developments in the US were influenced more and more by the fluctuating euro/US dollar exchange rate and uncertainties on the US property and mortgage market as the year wore on. Although Group-wide demand for light equipment remained below the previous year’s level throughout the entire year, demand for compact equipment for the construction industry did not start to fall until the second half of 2008. The reporting period nevertheless saw healthy demand in this region in particular for services and compact equipment targeted at the agricultural industry.

Despite prevailing trends, we have remained committed to our sound investment strategy and channeled over EUR 100 million into suitable projects. In addition to expanding production capacity, we invested in measures aimed at actively driving the rental business, stocking our rental pool, and establishing a demo fleet for the global launch of compact equipment. Construction work also started on a new R&D center and Group headquarters in Munich, which will be completed in stages between now and 2011.

At the start of the second half-year, we quickly introduced efficiency measures to improve our cost structure and strengthen our financial and earnings position. These included a recruitment freeze, reassessment of current projects and investments plans, and cancellation of numerous benefits and activities within the company. However, the full impact of these cost-efficiency measures will only be felt during the course of 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).

Our financial management policy strikes a healthy balance between financial security, return on equity and earnings. The main objective of liquidity management is to ensure the financial solvency of the Wacker Neuson Group at all times. And so I am pleased to state once again that the Wacker Neuson Group was able to maintain its stable financial position in fiscal 2008 despite the economic downturn and high levels of investment activity.

Cash flow from operating activities reached EUR 31.1 million at the end of the fiscal year (previous year: EUR 55.0 million). Free cash flow came to EUR 23.4 million in the reporting period (previous year: EUR 62.1 million). We were able to meet liquidity needs through a combination of our own liquid assets and the credit lines extended to Wacker Neuson by credit institutes. At December 31, 2008, less than half of all short- and long-term credit lines had been drawn. In addition to reducing the working capital, our healthy balance sheet provides us with further options for securing liquidity should this be necessary.

Overall earnings were impacted by the effects of eliminating interim profit (stemming from the stocking of rental and demo fleets for the global launch of compact equipment) and costs incurred by the merger, for example through renaming affiliates and aligning products and business documents with our new corporate design. Exchange rate movements caused by a year-on-year increased average euro/US dollar exchange rate had a particular affect on earnings. Allowing for purchase price allocation, profit for the year thus amounted to EUR 37.4 million, 30.9 percent below the previous year’s result of EUR 54.1 million.

Based on 70.14 million ordinary shares, 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 thus propose to today’s AGM that a dividend of EUR 0.19 (previous year: EUR 0.50) be paid per eligible share (based on a total of 70.14 million 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 prior to purchase price allocation in the amount of EUR 41.9 million.

In addition to ratifying profit allocation (item 2 on the agenda), items 1, 3, 4, 5 and 8 are the same as every year, and do not require detailed explanation here. These items include presentation of the annual financial statements, approval of Executive and Supervisory Board actions and the appointment of the auditor for the current fiscal year as well as formal ratification concerning the implementation of all previously approved resolutions.

Under agenda item 6, we would again request that you approve a resolution to authorize the procurement of treasury shares, as is customary on the capital market. The company did not exercise the option to procure treasury shares granted last year. At present, we do not have concrete plans to procure treasury shares. Viewed from our current standpoint, this resolution is therefore purely a contingency measure.

Our report on this agenda item is part of the invitation to the AGM. In line with legal requirements, we have disclosed information relevant to take-overs. You can find this information on page 59 of the Annual Report.

With regard to agenda item 7, we will be requesting that you approve an amendment to the Articles of Incorporation to align them with upcoming legislation on shareholders' rights (Aktionärsrechterichtlinie-Umsetzungsgesetz, ARUG). This legislation will result in several formal changes in the way AGMs of listed companies are held. In order to prepare for next year's AGM, we are looking to align our Articles of Incorporation with these modified requirements.

Dear shareholders, it has been two years since we successfully completed our IPO on May 15, 2007. We took this step at a very busy time for both the capital market and the international construction industry. Although we fulfilled the promises we made at the time of our IPO and achieved our targets for fiscal 2007, our stock was one of the early casualties of the economic downturn – an effect known as an "early cyclical" among traders. In 2008, we promptly revised our targets in response to market trends. The company went on to exceed its prognosis and - unlike many other companies – we did not have to readjust our forecast in the second half of the year. As we are still a relative newcomer to the capital market, I hope that these steps further strengthen market trust in our company.

However, our positive track record did not stop our share price falling considerably over the previous fiscal year. The capital market began to anticipate the knock-on effects of the US subprime crisis on the international construction industry as far back as fall 2007. As a result, our share was listed at EUR 14.62 at the start of 2008. Skepticism towards construction companies then influenced our share price over the course of the year – as was also the case for other major equipment manufacturers within our segment. As such, our price developed in line with our peers. At the end of 2008, the final listing price of our share was EUR 6.19. Nevertheless, a look at peer group development from October 2008 to today shows that, at around EUR 5, Wacker Neuson shares have significantly outperformed other construction stocks. However, in our view, shares in this sector can only be expected to recover when the capital market recognizes that the general economic climate has significantly improved.

In fiscal 2008, a key part of our investor relations program involved maintaining ongoing, active communication with capital market players via numerous channels including investor conferences, national and international roadshows, as well as at our first Capital Market Day and through our dialog with you at our first AGM as a listed company. Our consistent aim is to communicate company developments as well as our strategy, business model, and the complexity of our markets. As a particularly rewarding result of these active communication efforts, the number of analysts reporting on our company increased in 2008, with six new banks deciding to cover the Wacker Neuson share. In February 2009, Commerzbank took the place of Dresdner Bank following the takeover. Market trends have of course led analysts to lower ratings and target prices.

We were particularly pleased to be awarded first place in the stock market newcomers category of German ‘manager magazin’s’ Best Annual Reports 2007 competition. Even in the current economic climate, we intend to maintain our active investor relations activities. Which is why shareholders and interested parties will always find in-depth and up-to-date information on our Website at www.wackerneuson.com.

The shareholder structure remained stable throughout the last fiscal year. At December 31, 2008, family members owned 68.5 percent of the company, both directly and by proxy. The transition to Wacker Neuson SE came into effect on February 18, 2009 on entry of the new company in the German Register of Companies. For the Group, this step was the final phase of the merger, which was announced at the Group’s IPO. The conversion to an SE is a fitting move for a company with such an international profile as ours. In Europe alone, we have over 20 different affiliates and 120 sales and service stations in different countries. This new legal form allows us to maintain our proven employee participation model and keep two employee representatives on the six-strong Supervisory Board.

Former Executive Board members Martin Lehner, Günther Binder, Werner Schwind, Richard Mayer and myself have been appointed to the Executive Board of the new Wacker Neuson SE, thus ensuring continuity at executive level. As CEO, I would like to thank the Supervisory Board, headed by Hans Neunteufel, and my colleagues on the Executive Board for their dedication and close collaboration over the past fiscal year.

On behalf of the Executive Board, I would also like to thank all of our employees for the consistent, personal stake they took in ensuring the success of the merger. We also extend special thanks to those employees who have been affected by the harsh and highly restrictive cost-cutting measures we have been forced to implement as a consequence of the global economic crisis. I am particularly saddened by the unavoidable layoffs in countries whose legislation does not permit short-time work or other similar measures.

Ladies and gentlemen, the first quarter of fiscal 2009 confirmed fears surrounding the impact of a global recession on the construction industry. And although we have increased our cost-cutting measures, we are keeping our sights firmly set on our post-crisis goals.

This forward-looking strategy was one of the main drivers behind our decision to exercise an option agreement that was due to expire at the end of March 2009 and purchase an approximately 160,000 m^2 tract of land in the district of Hörsching (Linz, Austria) in the first quarter of the year. The site is the perfect location to construct a new production plant and underscores our commitment to capitalizing on the long-term global increase in demand projected for compact equipment. However, we do not intend to start construction until 2010 at the earliest. Compact excavators, skid-steer loaders, and wheel and track dumpers are currently manufactured at the Linz-Leonding plant. We completed the relocation of four-wheel dumpers from Tredegar (Wales) to Linz in March 2009.

As was to be expected, results for the first three months of 2009 were weak. Order intake continued to decline and sales were down significantly on the same period last year. A harsh winter in January and February was compounded by the effects of the economic crisis in Europe and the US. Yet we did experience an upturn in business in March, primarily in the European rental business, and this positive trend continued into April. In China, we were able to reap the rewards of our increased sales activities during the previous year, as demand here remained high throughout the entire quarter.

Nevertheless, Wacker Neuson Group sales were around 40 percent lower than the excellent results achieved during the same quarter last year. We must bear in mind, however, that other big names in the industry saw revenue fall by up to 60 percent. We started reacting to this crisis back in mid-2008 by implementing various measures aimed at cutting sales and administration costs and streamlining our organizational structure. By expanding our flexitime framework, implementing short-time work at individual production sites in Germany and Austria, and taking unavoidable staff rationalization measures primarily in the US, we have been able to reduce work hours and personnel costs in the first quarter by 20 percent relative to December 31, 2008. We have also made solid progress in our efforts to reduce inventory levels in order to cut back on working capital. However, the impact of these initiatives will only unfold over time. As we anticipated and announced at the end of March when we presented our 2008 annual report, we have a negative result for the first quarter of fiscal 2009.
This is partly due to one-off expenses of around EUR 5 million attributable to restructuring measures.

By cutting back planned investments and stabilizing our net financial debt, we maintained our strong financial and asset position with a liquidity level of EUR 63.5 million, positive operative cash flow, an equity ratio of 77.3 percent and a debt ratio of just 7.0 percent.

In our assessment, dear shareholders, the Wacker Neuson Group is well equipped for times of turbulence. Alongside implementing necessary cost-saving measures, we continue to focus our efforts on shaping the company's future. We are also able to draw on our extensive experience in dealing with crises in the construction industry, which is well known for its peaks and troughs. As a family-run business, it has always been our policy to meet these challenges head on by acting instead of reacting, enabling us to lay the foundation for future success.

In this way, we come through crisis situations in an even stronger position, having retained our focus on our core success factors:

1. Best-in-class product and service quality
2. Proximity to customers
3. Flexible production processes
4. Sound financial position
5. Global expansion

In the current climate, too, we continue to emphasize these tried-and-tested pillars, keeping our focus firmly on the future and ensuring our company emerges from this turbulent period in a position of strength.

The long-term outlook for the international construction industry remains positive. The requirement for infrastructure expansion and modernization continues worldwide, including road, rail, transport and telecommunications projects. Taking a long-term view, opportunities will arise from a greater focus on environmental policies as well as from climate change, for instance through construction measures to prevent weather-related damage. This will be flanked by the redevelopment of residential property with a view to increasing energy efficiency.

The agricultural industry also offers promising prospects, with an ongoing shift in structure continuing to result in a steady decrease in number and increase in size of holdings. The global requirement for increased production of foodstuffs and animal feed and rising demand for renewable resources strengthen the economic role of the agricultural industry, while necessarily resulting in a greater need for equipment for production, land cultivation and indoor work in barns.

For 2009, however, the outlook for the international construction industry is discernibly dampened by the global recession. Numerous governments have now initiated economic recovery packages that include measures to stimulate investment in infrastructure and public education. This, in turn, will support the construction industry, but we are unlikely to see the effects until the end of 2009 at the earliest.

Fiscal 2009 will therefore be a challenging year for the Wacker Neuson Group, with the prevailing market climate and increased competitive pressure continuing to have a negative impact on customer order patterns. It remains difficult to give any precise prediction of sales or earnings figures for the current year due to this market uncertainty. However, we continue to anticipate a drop in sales and earnings in fiscal 2009 and, from our current perspective, we cannot rule out losses for the first six months of the year.

Nevertheless, we will continue to take positive action and prepare for the inevitable recovery. From our present position, we anticipate that this will occur in 2010 at the earliest, bringing with it a dynamic upswing among market players due to the growing backlog of necessary construction work. So we continue to implement proactive go-to-market strategies, keeping a finger on the pulse of customer requirements through our extensive sales, research and development activities and maintaining our widely acclaimed product and service quality standards. As planned, we will be launching several new products during fiscal 2009 and will carry on introducing compact equipment to new markets across the globe. Depending on overall economic developments, our strategy also includes expanding our international offering of agricultural machinery under the Weidemann brand, particularly in Poland, and the Czech Republic and in parts of the Netherlands where customers already obtain agricultural machinery from affiliates.

Of course, our intention is not only to win new market share but also to optimize our cost structure, and we will continue our intensive efforts to reduce sales and administrative costs. As a family-run business with our sights set on the long term, we remain true to our core values, even in times of crisis. We always aim to avoid layoffs wherever possible, instead focusing on reducing hours via flexitime and short-time work in countries where the legislation permits this. By the middle of this year, these measures will enable us to reduce personnel costs and working hours by around 20 percent compared with figures at the end of 2008, while retaining the expertise and drive of a workforce that has helped the Wacker Neuson Group become a global leader in light and compact equipment.

In fiscal 2009, we intend to consolidate our strong financial and asset position. While we have reduced planned investments by 40 percent on last year, we are pressing ahead with our capacity expansion measures as planned, which should be clear demonstration of our confidence in a bright future. We aim to keep net debt at around last year’s level and lower our working capital by stepping up inventory reduction.

Ladies and gentlemen, as you see, the economic crisis is forcing us all to take a more cautious approach to business. However, I can assure you that our focus at all times remains firmly on the good of the company, as we harness all our expertise to take goal-oriented, cost-effective action.

We remain committed to our long-term growth strategy, based on the business opportunities described and the increasing demand for our equipment. Our recent merger also supports this strategic outlook, establishing a leading global manufacturer of light and compact equipment with an unparalleled portfolio of Wacker Neuson, Kramer Allrad and Weidemann products and a far-reaching sales and service network.

Our proximity to customers in key target markets and the recognized quality of our products and services strengthen our conviction that we are well placed to build further on our leading global market position in the medium to long term. With this aim in mind, we will continue to make sound investments and expand our portfolio where needed through strategic acquisitions that benefit our customers. We will also go on capitalizing on opportunities for international expansion.

I have every confidence that Wacker Neuson SE will emerge from this crisis period in a strengthened position. We will continue to build on our company culture and ensure that it remains centered on a premium customer experience. We intend to make the most of forthcoming opportunities as they arise, remaining true to our heritage but driving innovation as we look at new ways of creating value in keeping with our philosophy. And if you, our shareholders, also take this long-term view, we will benefit from a lasting positive impact on our share development.

I would like to take this opportunity to thank you very much for your trust in the Wacker Neuson Group and hope you will continue to accompany us with confidence and perseverance on our onwards journey.

Many thanks for your attention.