

Contents Consolidated Management Report

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The graphics and tables below are not part of the Consolidated Management Report and are provided for information purposes only. The following print version of the Consolidated Management Report does not exactly correspond to the audited Consolidation Management Report. Further informations on key figures definition and calculation methods applied in the report are disclosed in the glossaries at the end of this annual report.

Consolidated Management Report of Wacker Neuson SE and its Group for fiscal 2009

The Management Report of Wacker Neuson SE has been consolidated with the Group Management Report according to section 315 (3) of the German Commercial Code (HGB). The risks and opportunities facing Wacker Neuson SE, in its capacity as parent company, cannot be differentiated from those facing the Group. Unless otherwise stated, the information contained in this Management Report refers to the Group. The information relating specifically to the parent company is broken out in a separate chapter.

The Consolidated Wacker Neuson Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of HGB set forth in section 315a (1). The Annual Financial Statements of Wacker Neuson SE have been prepared in accordance with the principles laid down in HGB and the provisions of the German Stock Corporation Act (AktG).

I. The Wacker Neuson Group

- Global leader in light and compact equipment
- International sales, consulting and support network
- Further development of reporting and controlling system

The Wacker Neuson Group develops, manufactures and distributes high-quality light and compact equipment to support and optimize its customers' construction processes around the globe. Wacker Neuson is the partner of choice among professional users in mainstream construction, gardening, landscaping, agriculture, municipal works, recycling and various branches of industry. The company's customer base also includes construction machine rental companies. The Group now offers over 300 product categories and extensive rental, spare parts and repair services.

Wacker Neuson has approximately 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 an extensive and reliable range of services.

The Wacker Neuson Group is divided into three business segments:

- Light equipment up to three tons with the following business fields:
 - Concrete technology
 - Soil and asphalt compaction
 - Demolition
 - Utility
- Compact equipment up to 14 tons
- 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 marketed 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 for the construction industry are branded "Wacker Neuson".

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 change the legal form of the company to a European company ("Societas Europaea", SE) and rename it "Wacker Neuson SE". 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 the former Wacker Construction Equipment AG.

The Consolidated Financial Statements of Wacker Neuson SE are prepared in accordance with the International Financial Reporting Standards (IFRS). Forty-one companies, including

the parent company, are fully consolidated in these statements. Furthermore, we have direct or indirect majority holdings in five 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 other 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 based on regions (Europe, Americas and Asia). In addition, we break revenue down between business segments (light equipment, compact equipment and services).

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

The Melbourne production plant in Australia, which manufactured, small volumes of vibratory plates and internal vibrators for the Asia-Pacific region, was dissolved at the end of 2009. Production was moved to our Philippines plant in Manila.

Please refer to the chapter entitled "General information on accounting standards" in the Notes for detailed information on the organizational and legal structure.

Corporate governance and value management

The controlling department of the parent company Wacker Neuson SE is responsible for the Group's internal controlling instruments. It steers and monitors deviations between 'to be' and 'as is' figures, primarily based on revenue and profit before interest and tax (EBIT) margins (EBIT to revenue ratio) reported by affiliates. It also tracks the progress of operative measures and prepares the consolidated monthly reports for the Executive Board. We continually adapt our controlling instruments to reflect developments both within and beyond company walls.

Project decisions made in response to changing market and customer requirements are taken by various committees rather than specific individuals. These may include members of the Executive Board, representatives from company management, plus senior employees from research and development, product management, quality management, sales and service and strategic procurement.

Our management strategy focuses on a sustainable increase in company value. To achieve and maintain such growth, we have invested heavily over the past few years. Profit before interest, tax, depreciation and amortization (EBITDA) and the corresponding EBITDA margin (EBITDA to revenue ratio) are thus the most important indicators of company performance for us. In the medium to long term, we are aiming for an EBITDA margin in excess of 15 percent. Other key performance benchmarks and targets are gross profit margin, EBIT margin (EBIT to revenue ratio) and the working capital to revenue ratio (return on capital employed to generate revenue). Working capital is calculated by netting total inventories, trade receivables and trade payables.

We also analyze and govern our dividend payment policy, financing structure and return on capital employed. In fiscal 2009, we added the key indicators capital employed (average invested capital), ROCE I and II (return on capital employed) as well as ROE (return on equity) to our financial reports. ROCE shows the return on the entire capital invested in the company, while ROE focuses on the return on equity. The consolidated balance sheet also generally includes the equity ratio performance indicator. To effectively manage financing, the Group monitors a number of indicators including gearing (net financial debt to equity). Further information on key figures definitions and calculation methods are disclosed in the financial glossary (page 158 in this annual report).

Our regular business activities are geared towards the needs of the market and our customers, also taking regional dynamics into account. We only develop new products if our customers have indicated a concrete need for specific technical developments or product enhancements. We always implement existing and new legal regulations, particularly measures aimed at protecting users and the environment.

Our company and general approach to business epitomize the values typical of mid-sized, family-owned enterprises, focused

on sustainable and profitable growth. Our corporate culture enables us to create a decentralized organization that reacts with greater speed and less bureaucracy to customer needs. The fact that we actively live our corporate values means that our organization is highly sensitive to violations of rights and laws, both in an individual and, in particular, collective context. At the same time, employees who work directly with our customers have greater freedom to act autonomously. Other benefits include less governance, faster integration of new employees, plus higher motivation levels among our employees. Ethical values, norms and ideals shape our employees' views and behavior, and thus the image of our company as a whole.

Performance indicators:

as a %	2009	2008	2007 pro-forma
Gross profit margin	30.8	33.7	35.4
EBITDA margin (discounting restructuring costs ¹)	4.6 (6.2)	11.6	16.1
EBIT margin (discounting write-downs on intangible assets and restructuring costs ¹)	- 18.9 (- 0.5)	6.7	11.5
Working capital / revenue	36.5	34.9	-
ROCE I	- 2.4	10.8	23.1
ROCE II	- 1.9	7.4	15.8
ROE	- 1.4	4.2	8.3
Equity ratio	81.5	77.4	-
Gearing	- 3.1	6.5	-

¹ Please refer to chapter IV. Profit for an explanation of the adjusted figures in 2009.

Alongside these financial performance indicators, we also monitor key early indicators on the operational side. Important indicators for the construction business include future investment plans in the construction equipment and construction materials industries, the number of building permits issued as well as the development of real estate prices, especially in the US. Operative early indicators for the European agricultural industry currently include subsidy programs for agricultural landholders as well as the development of milk, food and animal feed prices. Monthly order intake for compact equipment serves as a reliable indicator of demand for our machines.

The controlling instruments in place at Wacker Neuson SE are continually revised and aligned to reflect changes across the globe.

II. General background

Overall economic trends

- Hardest-hitting recession since Second World War eases off
- Export-heavy countries particularly badly affected
- Slight signs of turnaround in H2

2009 was a year that the world will associate with the hardest-hitting recession since the Second World War. Economic experts say that global gross domestic product (GDP) dropped by 1.1 percent in 2009 (compared with a 3.4 percent increase the previous year). World trade volume was down by as much as 11.0 percent (previous year: up 4.1 percent). With the exception of India and China, the entire world had to contend with a downturn in economic activity.

Trends in the Americas region were characterized above all by a sharp drop in equipment and construction investments, coupled with a growing unemployment rate. The effect was a 2.5 percent drop in GDP in the US and a marked squeeze also in Latin America and Canada.

Asia was similarly affected by the economic crisis. Japanese exports were down significantly on the previous year as a result of dwindling demand from the US and Europe, and economic activity was sluggish. China again experienced a strong upturn in economic performance, spurred on by multi-billion government incentive programs. India also managed to maintain its healthy rate of expansion. Eastern Asian economies, however, experienced a slight dent in market dynamics.

The economic climate cooled dramatically in Europe over the course of the year. Developments in finance and real estate markets slowed growth in all euro-zone countries. The aggregated GDP growth rate in the European Union (EU) came to minus 4.1 percent (previous year: +1.4 percent). In Western Europe, export growth in particular declined. Eastern European countries were particularly hard-hit by the crisis.

According to experts, the German economy slowed down by 4.9 percent in the year under review, due in part to the drastic drop in demand for capital investment goods from abroad and a resultant fall in investment activities. In total, German companies sold around 18.0 percent fewer goods to foreign countries. Despite signs of a revival towards the end of the year, statistics indicate that this was nonetheless the sharpest

drop in 60 years. German imports were also down by a sharp 17.2 percent. Germany's most important foreign currency, the US dollar, weakened over the course of fiscal 2009, and this had a negative impact on exports – despite the fact that the US dollar regained in value at the end of the year.

BIP

Real change from previous year as a %	2009	2008
World	- 1.1	3.4
USA	- 2.5	1.1
Canada	- 2.4	0.7
Latin America	2.2	4.2
Japan	- 5.3	0.2
China	7.8	9.4
India	6.9	7.0
Far East (excl. China)	- 1.5	4.5
Europe (Western and Central Europe)	- 4.1	1.4
Russia	- 8.0	6.3
Germany	- 4.9	1.3

Source: OECD, IWF, ifo

Following from its extremely weak performance during the first half of 2009, the world economy showed slight signs of recovery during the second half of the year. Demand picked up and production levels revived from their dramatic slump. Similarly, international trade also showed slight signs of recovery.

Overview of construction and agricultural industries

- Economic crisis impacts on construction and agricultural industries
- Investment stop slows down commercial construction
- High inventories shorten lead times

The collapse of the world economy also had a negative impact on national construction industries in 2009, especially in the US and Europe.

Expert predictions for 2009 were confirmed in the US. Whereas the non-residential segment had managed to remain on a positive path in previous years, it followed the downward trend of other market segments in the year under review. According to the Association of Equipment Manufacturers (AEM), it dropped 5.4 percent in 2009. The residential segment remained on a downward spiral, contracting a further 26.9 percent in 2009. Total construction investment volume over the year was up 13.0 percent (previous year: -7.0 percent). At the end of November, residential construction accounted for 29.7 percent of total investment volume, and the non-residential and industrial segment for 70.3 percent. There was, however, some sign of hope towards the end of the year, with house prices stabilizing somewhat in the US and the residential market showing some positive signs.

In China, the construction industry remained on an upward path in 2009. The same was the case in India, although growth rates slowed down towards the end of the year. Construction industry growth in Asia was driven in general by a marked rise in infrastructure projects. Total construction investment volume increased by 4.0 percent in 2009 (previous year: 3.1 percent), whereby infrastructure investments were up by as much as 10.5 percent (previous year: 3.6 percent).

Performance key currencies against the euro

(Annual average rates)

1 euro equals	2009	2008	Change as a %
US dollar (USD)	1.3955	1.4741	- 5.3
British pound (GBP)	0.8907	0.8038	+ 10.8
Swiss franc (CHF)	1.5089	1.5786	- 4.4
Japanese yen (JPY)	130.4779	151.4825	- 13.9

Source: Notes to the Consolidated Financial Statements

In Europe, the harsh 2008/2009 winter meant that the construction season got off to a late start. The Western European non-residential market, driven by commercial and underground projects, shrank again in 2009 – this time by 5.9 percent (previous year: -1.1 percent). This was fueled in particular by the drop in commercial construction, which was down 11.5 percent. Over the course of the year, the European housing market fared particularly badly; fair value adjustments in real estate markets dampened construction activity and investments. This was particularly noticeable in countries that had experienced a construction boom in the years leading up to the recession, especially Ireland, Great Britain and Spain. This bubble effect did not occur in Central Europe. Here, however, markets also experienced a drop in new housing developments, as well as falling prices and increasing numbers of empty apartments and houses. Analysts at IHS Global Insight, global leader in economic and financial analysis, forecasting and market intelligence, put the drop in residential construction in Western Europe at 13.0 percent in 2009. Revenue generated by the Western European construction industry was down 9.2 percent (previous year: -3.9 percent) during the period under review. Minus figures were also recorded by almost all Eastern European construction markets. Total construction revenue dropped 6.1 percent (previous year: +7.7 percent). Poland was the only exception, managing to buck the trend thanks to numerous ongoing construction projects.

The construction industry in Germany also experienced a downswing during 2009, performing particularly poorly in the first quarter partly as a result of unfavorable weather conditions. Compared with other EU countries, however, Germany proved to be more resilient over the course of the year. According to the Federation of the German Construction Industry, investments in the commercial sector were down 9.0 percent, compared with 4.8 percent on the residential side. Public construction investments grew 2.5 percent, fueled by roadwork and underground projects.

Sharp decline in construction equipment industry worldwide

Committee for European Construction Equipment (CECE) experts estimate that the construction equipment industry only produced 570,000 machines worldwide in 2009, compared with 1 million machines two years previously (which corresponds to a drop of 43 percent since 2007). VDMA (German Engineering Federation) experts report that German construction equipment revenue was 52 percent lower in 2009 than in the previous year. Order intake dropped 50 percent over the same period. High levels of inventory intensified competition, resulting in price erosion. Lead times, particularly for compact

and heavy equipment, shrank as a result. Exports and imports also took a nose-dive. According to VDMA, German exports of construction and building materials had dropped 44.4 percent overall by October 2009. Imports were down 45.8 percent during the same period.

Agricultural industry succumbs to general market trends

The year under review saw a dwindling inclination to invest across the agricultural industry. From the second half of the year onwards, demand for agricultural machines was increasingly shaped by the overall economic climate, the effects of low milk prices and generally low food and fodder prices in Europe. Agricultural production was also largely on the decline during this period. Global Insight experts estimate that Western European cereal and wheat production fell by 8.4 percent and 10.9 percent respectively in fiscal 2009. The downturn in cattle farming was not as marked at -2.2 percent. Eastern Europe experienced a sharper drop in cereal and wheat production, counterbalanced by a 4.0 percent increase in cattle farming.

According to VDMA, the German market for agricultural machinery shrank by 25 percent, following from a 24 percent increase in 2008. Although this development seems dramatic against the backdrop of the general economic climate, the German agricultural machinery industry has consolidated and expanded its position in the international arena thanks to solid growth rates over the last five years.

General legal framework

- Protection for users and the environment
- Compliance with applicable regulations
- Ongoing integration of new regulations in internal 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, and noise and vibration-induced impact. There are many European directives and regulations in this area.

At Wacker, we integrate new regulations as promptly as possible in our process flows. In 2009, attention in this area focused on compliance with the new EU Machinery Directive

2006/42/EC, which became mandatory as of December 29, 2009. This involved reviewing and adapting our product portfolio to ensure compliance with new requirements and various harmonized standards and norms. Above all, this affected Weidemann-branded wheel loaders, which we manufacture for the agricultural industry. In the past, responsibility for ensuring that the correct protective equipment and features were in place lay with the operator. The manufacturer was only required to provide attachment points and offer the equipment/features appropriate to the various deployment scenarios. Now, under the new directive, manufacturers carry a greater responsibility, and are required, for example, to build in certain protective features ex-works if a risk cannot be definitively excluded. We supply all Weidemann wheel loaders with an overhead guard and driver restraint system since Directive 2006/42/EC entered into effect.

In addition, we made solid progress in adapting our diesel engines for the future TIER 3 Interim and TIER 4 emissions regulations. Conversion of our engines already increased R&D expenditure in 2009.

Beyond that, there were no legislative changes that had a significant impact on our business activities.

Competitive position

- Focus on light and compact equipment
- Continued world-leading position in the construction industry
- Leading position with wheel loaders in the European agricultural industry

Despite the economic crisis, there were no meaningful changes to the heterogeneous competitive landscape surrounding the Wacker Neuson Group in 2009. Developments in international construction markets led to a squeeze on revenue and earnings for all our competitors during the year under review. The industry responded to the drop in order intake by cutting costs through production site closures and staff lay-offs and by reducing inventory levels. However, in 2009 the market only consolidated to a limited extent as a result of insolvency, acquisitions or mergers.

In our assessment, the portfolio offered by the majority of our competitors also remained stable. Competitor offerings focus exclusively on either light or compact equipment, or on a combination of compact and heavy machines above 15 tons.

We continue to concentrate exclusively on light and compact equipment, differentiating ourselves clearly from DIY and heavy equipment suppliers. In particular, the combination of light and compact equipment, flanked by the sheer diversity of our high-quality offering, differentiates us from the competition and – in our view – carves out a global USP for the Wacker Neuson Group.

Over the past fiscal year, the Wacker Neuson Group maintained its strong position at local, national and international level, succeeding in maintaining or expanding market share. Our customers are predominantly active in non-residential construction. Again, around 70 percent of our products were used in new developments and infrastructure repairs, including underground and roadwork, commercial and overground projects, and work on energy, water and telecommunications services.

Regional breakdown

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

Situation in 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 global construction equipment market is highly fragmented. In addition, there are few official statistics. Hence it is not possible to give a detailed and meaningful overview of market shares. Similarly, our competitive landscape is very heterogeneous. In certain segments, we compete against global enterprises with a broad spectrum of compact and heavy equipment such as Atlas Copco, Caterpillar and Volvo. We also compete with Takeuchi, Kubota and Yanmar, Japanese manu-

facturers specialized in compact equipment. We also face a variety of competitors operating only in specific local markets. Light equipment players in this category include Bomag, Ammann, Multiquip, Mikasa and Dynapac.

Since the acquisition of the Weidemann Group in fiscal 2005, the Wacker Neuson Group has also been active in the agricultural machinery segment. Weidemann GmbH enjoys a leading position for articulated wheel loaders in the Central European agricultural market. Our Kramer-Werke GmbH affiliate also develops and manufactures telescopic handlers for the agricultural industry. These are distributed by CLAAS Global Sales GmbH, a leading German agricultural machinery supplier, under the CLAAS brand. We aim to further expand our agricultural footprint through our Farm Mobility concept initiated in 2009.

III. Business development in fiscal 2009

- Difficult market conditions impact business performance
- Market stabilizes and shows slight signs of picking up throughout H2
- Cost-cutting measures picking up from Q2 onwards

Review of business performance overall

The economic backdrop to the international construction market in the US and Europe changed dramatically in 2009, impacting the revenue and earnings figures posted by the Wacker Neuson Group. Whereas the rental business developed positively over the entire course of the year in Central

and Eastern Europe, global demand for compact equipment dropped significantly worldwide. Having started off on a weak footing, demand for light equipment showed a slight upward trend from the third quarter onwards. Revenue was also down in the first quarter on account of the harsher winter. Although revenue was higher in the remaining three quarters of the year, it nonetheless remained well below the figures posted for the same period last year as a result of the recession. → ①

Consequently, Wacker Neuson Group revenue dropped during fiscal 2009 by 31.4 percent to EUR 597.0 million (previous year: EUR 870.3 million).

Back in fall 2008, we introduced a tough cost-cutting program, which we continued to proactively and systematically implement in 2009. Given the delayed impact of many of these measures, we still posted a clear loss for the first quarter. However, we managed to return positive operating results for the subsequent quarters, although this was not collectively sufficient to counterbalance operating losses.

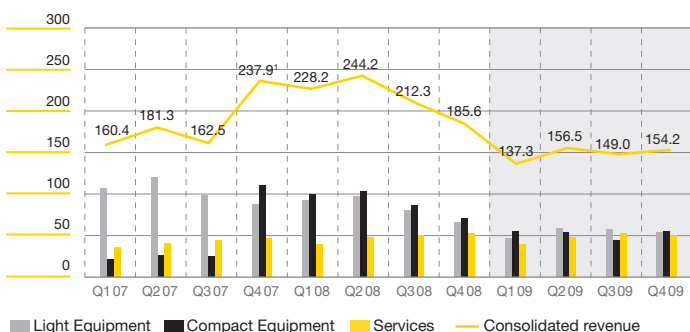
In addition, two one-off items compounded our earnings result: HR-related restructuring costs (EUR 9.6 million) and one-off non-cash write-downs on intangible assets (EUR 100.3 million), largely related to the goodwill (EUR 89.5 million) and the brand value (EUR 10.8 million) attributed to the Neuson Kramer subgroup.

Profit before interest, tax, depreciation and amortization (EBITDA) dropped to EUR 27.2 million (previous year: EUR 100.9 million). Adjusted to discount restructuring costs (EUR 9.6 million), EBITDA amounted to EUR 36.7 million. The EBITDA margin thus fell to 4.6 percent (previous year: 11.6 percent), with the adjusted figure amounting to 6.2 percent. The annual loss amounted to

① Influence of the economic crisis and stabilization in 2009

Overall revenue vs. segment revenue from Q1 07 to Q4 09

in € million



¹ The increase in revenue relative to the fourth quarter 2007 was due to the merger.

The economic crisis first hit sales in the light equipment segment (beginning mid-2007), which tends to move early within economic cycles. Since mid-2009, however, this segment, along with services, has been showing promising signs of a slight recovery. Demand in the compact equipment segment stabilized towards the end of the year.

EUR 110.1 million (previous year: profit for the year EUR 37.4 million), with the adjusted figure amounting to an annual loss of EUR 2.9 million on account of write-downs on intangible assets (EUR 100.3 million) and restructuring costs (EUR 9.6 million).

Comparison between actual trends and projected performance

Due to the uncertain, largely unpredictable economic environment, the company did not publish any concrete targets in 2009 for revenue and EBITDA margin. Company management anticipated a downward trend in revenue and earnings, and this in effect materialized over the course of the year. In the nine-month report, management projected an operating loss in the region of EUR 10 to 15 million, and this proved an accurate forecast with an actual figure of EUR 9.8 million adjusted for write-downs on intangible assets (EUR 100.3 million).

Broader portfolio wins new market shares

Light equipment sales again remained below the previous year's level. Demand had already started to contract mid-2007, especially in Europe and the US. In German-speaking countries, however, demand remained relatively stable. We were particularly pleased to note a revival in demand for light equipment from mid-2009 onwards as business started to pick up again for our customers.

Despite performing strongly up until the middle of 2008, the compact equipment segment also weakened over the year in keeping with the general market climate. Demand for this segment did not bottom out until towards the end of the fourth quarter. Sales of agricultural machinery also dwindled as of the second quarter in response to general economic and industry-specific pressures, despite the fact that the long-term trend remains one of consolidation, which is accompanied by rationalization investments.

Our rental business in Central and Eastern Europe grew to an all-time high, thus confirming that we are on the right path with our strategy to build this line of business. High levels of inventory across the industry and a reluctance to invest among customers intensified competition and squeezed prices. This affected our gross profit margin, despite the fact that we increased our spare parts prices by around 3.0 percent in the second quarter.

In summary, therefore, we continued to exploit market opportunities and win new market shares despite the economic crisis in 2009. The merger-enabled vast increase in the depth of our product portfolio was a key success factor here. Other strengths included our innovative drive, excellent 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 leadership.

Alignment of cost and organizational structures

We implemented a series of cost-cutting measures over the course of the year to keep SG&A (sales, general and administrative) and R&D (research and development) expenses in line with dwindling sales figures. In addition, we continued to adapt our organizational structures in 2009, building on the measures introduced in the second half of 2008. Concrete examples included cutting back on investments, limiting the scope of projects, expanding flexitime flexibility and laying off staff. In addition, we relocated production from Melbourne to Manila. Following on the clear deficit reported for the first quarter of 2009, reflecting restructuring costs in particular, the positive results in the subsequent three quarters confirmed that we had implemented the right measures.

In responding to the global economic crisis, we attached great importance to protecting as many jobs as possible and finding socially responsible solutions for our employees. Despite our concerted efforts in this area, we were obliged to reduce manpower capacity by approximately 20 percent. This corresponds to around 628 redundancies (temporary staff included), and resulted in one-off restructuring costs in the amount of EUR 9.6 million. We succeeded in reducing our break-even revenue (i.e. profit threshold at EBIT level) to around EUR 600 million.

Significant improvement in financial position

The start of the year under review was characterized by high levels of inventory, particularly for various product groups in the compact equipment segment. Over the course of the year, we concentrated on actively reducing this inventory and succeeded in cutting working capital by a sizeable EUR 86.0 million or 28.3 percent. At the same time, we cut back investments, thus consolidating our strong financial position with liquidity of EUR 85.0 million.

At the peak of the crisis, we managed to convert our relatively low net financial debt of EUR 59.0 million (as of December 31, 2008) into a net positive balance of EUR 24.9 million (as of December 31, 2009). The gearing ratio thus amounts to - 3.1 percent. Despite the goodwill impairment on intangible assets, we succeeded in increasing our equity ratio from 77.4 percent to 81.5 percent, largely by reducing our working capital.

We created additional financial headroom through our assured credit lines in the amount of a maximum of EUR 146.5 million, less than 50 percent of which was drawn at the closing date. Overall, we thus achieved our financial consolidation targets, going on to significantly improve our position in 2009.

Forward-looking strategy remains on track

During the reporting period, we continued to drive our long-term growth strategy. This involved launching compact equipment in selected countries through our existing sales and service network and expanding the rental business in Central and Eastern Europe while taking the interests of our rental customers into consideration. In growth markets in Asia, we concentrated on stepping up regional expansion and optimizing our sales activities. At the same time, we launched many new compact and light equipment products and expanded our offering in line with concrete customer needs. We also developed a "Farm Mobility" concept in 2009. The aim here is to transfer our compact equipment know-how more effectively to other brands within the Group. This concept will be introduced from 2010 onwards.

Exclusive distribution partnership in Japan

In the third quarter, we closed a cooperation agreement with Japanese Shindaiwa Corporation (now Yamabiko Group). Since October 1, 2009, the Yamabiko Group has been the exclusive distributor for Wacker Neuson light equipment products in Japan. The Wacker Neuson affiliate in Japan will be dissolved by the end of 2009. Given Yamabiko Group's very good standing in Japan, this alliance not only extends the reach of our products and services in Japan, it will also reduce administrative costs.

Production capacity geared towards rise in demand

In the period under review, the Group adapted production capacity to meet diminished global demand. During the first quarter, we transferred production of four-wheel dumpers to our compact excavator plant and competence center in Linz (Austria). The production plant in Tredegar (Wales, GB) was closed at the end of 2008. No decision has yet been made regarding the construction of a new production plant at the Hörsching site near Linz purchased in 2009. We can already assume, however, that a revival in demand will quickly push the Linz plant to its capacity limits. This would make construction of a new plant necessary, which is why we continue to plan for that contingency.

Work continues as planned on our new research and development center and Group headquarters in Munich. It is anticipated that this new complex will be completed in 2011.

Conversion to Wacker Neuson SE completed

On June 3, 2008, the AGM approved a resolution to change the legal form of the company to a European company (Societas Europaea, SE) and rename it Wacker Neuson SE. On

January 14, 2009, the Executive Board of the former Wacker Construction Equipment AG, together with a special 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. The employee representatives of the former Wacker Construction Equipment AG were appointed to the Wacker Neuson SE Supervisory Board. To ensure continuity among management bodies, the former members of the Wacker Construction Equipment AG Executive Board were appointed to the Executive Board of Wacker Neuson SE at the constituent meeting of the Wacker Neuson SE Supervisory Board on February 11, 2009. Dr.-Ing. Georg Sick remains Chairman of the Board, with Martin Lehner as Deputy CEO. Wacker Neuson SE was entered in the German Register of Companies on February 18, 2009. The legal charter of Wacker Neuson SE remains almost identical to that of Wacker Construction Equipment AG.

Resolutions passed at the 2009 AGM

At the AGM held in Munich on May 28, 2009, the Executive Board informed around 230 Wacker Neuson SE shareholders of the developments in fiscal 2008 and provided information on the current business situation.

The AGM approved the proposal to pay a dividend of EUR 0.19 per eligible share (previous year: EUR 0.50). In total therefore, the company paid out EUR 13.33 million (compared with EUR 35.07 million last year). The distribution ratio panned out at approximately 32 percent based on 2008 Group profit prior to purchase price allocation in the amount of EUR 41.9 million. This aligned with our intention to distribute at least 30 percent of Group profit for the year. Executive and Supervisory Board members' actions were officially approved for fiscal 2008.

Dividend per share in € (for fiscal year)

2009	2008	2007	2006	2005
0 ¹	0.19	0.50	0.38	0.27

¹ Dividend payment to be proposed at the AGM on May 28, 2010

Active capital market communication and share trends

In fiscal 2009, the Executive Board made a regular and active effort to keep stakeholders updated on current company

developments. They accomplished this through a variety of channels, including the AGM, investor conferences, national and international roadshows and a Capital Market Day.

As of March 4, 2009, registered shares in Wacker Construction Equipment AG listed on the regulated Prime Standard segment of the German stock exchange (ISIN DE000WACK012/WKN WACK01) were converted to the new company name, Wacker Neuson SE.

We are pleased to report that our share performed well, rising 32.5 percent over the course of the year. Climbing from EUR 6.19 in January to EUR 8.20 at year-end, the Wacker Neuson share price clearly outperformed average SDAX trends. We have been listed on the SDAX since September 2007.

Executive Board and Management Board

Within the reporting period there have been disagreements within and between the Executive Board and the Supervisory Board which have led to legal proceedings. These issues have been settled in the meantime in mutual consent; it has been clarified that Hans Neunteufel is still Chairman of the Supervisory Board of the company.

IV. Profit, finances and assets

The report on profit, finances and assets covers a total of 40 Group companies (previous year: 42) including the Group parent, Wacker Neuson SE.

Fiscal 2008 was the first full financial year for the Wacker Neuson Group following the merger between Wacker Construction Equipment AG and Neuson Kramer Baumaschinen AG in the fall of 2007. Hence, the financial figures reported by the Wacker Neuson Group for fiscal 2009 can be reasonably compared with those returned for fiscal 2008. Unlike 2008, however, the effects of purchase price allocation are no longer itemized in the following notes on profit, finances and assets. The figures given in the following are thus inclusive of the effects of purchase price allocation.

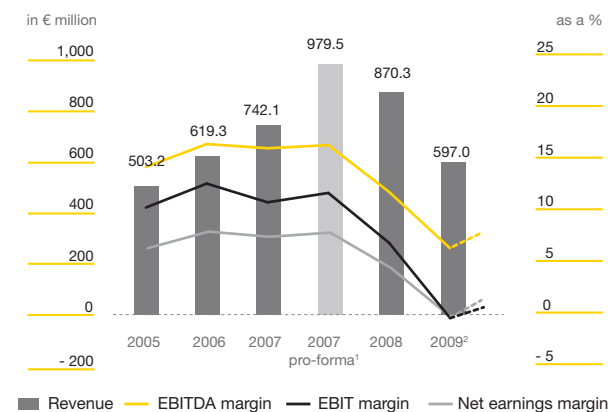
Profit

- Market crisis squeezes revenue and earnings
- Cut in SG&A and R&D expenses
- Earnings in the black from Q2 onwards

In fiscal 2009, sales of compact and light equipment suffered the effects of a growing reluctance on the part of our customers to invest as a result of the global economic crisis. This depressed Group revenue and profit figures. → ② In addition, intensified competition led to price erosion in the market. As production of light equipment is demand-driven with short

② Previous years' growth, influence of economic crisis and reduction in break-even point

Revenue and margins from 2005 to 2009



In the period from 2005 to 2008, Wacker Neuson increased revenue by 20 percent on average³. Due to the recession, we showed an operating loss for the first time in 2009. At the same time, we managed to reduce our break-even point at EBIT level by 20 percent to EUR 600 million. We are aiming for an EBITDA margin in excess of 15.0 percent in the medium to long term.

¹ Pro-forma disclosure as if subgroups Neuson Kramer had already been completely consolidated in 2007 (Consolidation from October 1, 2007).

² 2009 earnings margins adjusted to discount goodwill write-downs and restructuring costs.

³ Average annual growth rate over a 3-year period (CAGR).

delivery times, the company only reports order intake for compact equipment. Here we recorded a sharp drop over the first half of the year. Over the course of the second half-year, this trend bottomed out.

Consolidated revenue dropped 31.4 percent to EUR 597.0 million (previous year: EUR 870.3 million). Adjusted to discount currency fluctuations, this corresponds to a drop of 31.2 percent. We are pleased to report that revenue in the fourth quarter (October through December) at EUR 154.2 million was up 3.4 percent on the same figure for the third quarter (EUR 149.0 million). Hence the fourth quarter contributed around 26 percent to total annual revenue, thus clearly exceeding the “normal” contribution expected for this time of year (this was 21 percent in previous years).

Quarterly figures 2009 (extract)

2009	Q1	Q2	Q3	Q4	Total
Sales	137.3	156.5	149.0	154.2	597.0
Distribution of total sales	23%	26%	25%	26%	100%
EBITDA	- 12.3	13.4	15.6	10.4	27.2
EBIT	- 22.6	3.2	5.9	0.6	- 12.8 ¹

¹ 2009 figures before one-off write-downs on intangible assets in the amount of EUR 100.3 million

The cost of sales dropped 28.4 percent to EUR 412.9 (previous year: EUR 576.9 million). This is attributable to a reduction in expenditure on materials caused by a drop in production volume, which involves lower production and freight costs.

Gross profit on revenue amounted to EUR 184.1 million (previous year: 293.4 million). The gross profit margin totaled 30.8 percent (previous year: 33.7 percent). This was due to a drop in revenue on the one hand, and, on the other, to restructuring costs incurred in connection with the alignment of personnel capacity and write-downs on inventory included in the manufacturing costs. Additional downward pressure came from the price squeeze on compact equipment. The gross profit margin was particularly low in the first quarter. Over the course of the year, this picked up again as we aligned capacity with the drop in revenue.

Cut in SG&A and R&D expenses

Success of crisis measures

2009 Targets	Success/effect Dec. 31, 2009
Reduction cost cutting SG&A ¹	- 16.0 %
Reuction of working capital	- 28.3 %
Conversion of financial debt to a positive balance (change)	€ + 83.8 million
Manpower capacity adjustments ¹	- 20 %
Short labour (European facilities)	15 % of employees

¹ Adjusted by restructuring costs.

² Including short labour effects, temporary workers and layoffs.

As reported during the year, the Group remained firmly committed to its cost-cutting and restructuring policy over the course of 2009. During the second half of 2008, we resolved to introduce and implement a cost-cutting program in order to compensate for the downward trend in business activities. The positive effects of this economy drive were increasingly visible as the year progressed, confirming that we were on the right path. As a result, we reduced SG&A and R&D expenses by a total of EUR 31.8 million. Expressed as a percentage of revenue, SG&A and R&D expenses nonetheless amounted to a relative share of 34.0 percent (previous year: 27.0 percent), inflated by the downward trend in revenue figures.

Sales, development and administration costs as a % of sales

2009	34.0
2008	27.0

Selling expenses were down 13.7 percent to EUR 135.1 million (previous year: EUR 156.5 million). Here we concentrated on reducing HR plus property, plant and equipment costs in particular, although we nonetheless managed to further expand sales channels worldwide.

R&D costs dropped 18.4 percent to EUR 20.5 million (previous year: EUR 25.1 million), largely due to the reduction in property, plant and equipment costs. Development costs in the total amount of EUR 4.5 million were capitalized by all manufacturing companies in fiscal 2009. In relation to revenue, R&D costs rose from a 2.9-percent margin last year to 3.4 percent in fiscal 2009.

We also succeeded in cutting general administrative costs by 10.8 percent to EUR 47.7 million (previous year: EUR 53.5 million). The administrative cost ratio amounted to 8.0 percent (previous year: 6.1 percent).

Administrative expenses

as a % of sales

2009	8.0
2008	6.1

Other operating income rose slightly by 10.9 percent to EUR 12.2 million (previous year: EUR 11.0 million). Other operating expenses rose to EUR 106.2 million (previous year: 11.5 million). The main factor here was one-off write-downs, mainly on goodwill, in the amount of EUR 100.3 million.

Profit impacted by downturn in unit sales

Profit figures were negatively impacted by the sharp drop in unit sales, restructuring costs and one-off, non-cash write-downs on intangible assets (EUR 100.3 million). The impairment was largely realized on the goodwill attributable to the Neuson Kramer subgroup. Through targeted cost-cutting measures, we were, however, able to curb the downward pressure on earnings.

The earnings figures reported for the fourth quarter of 2009 were particularly affected by the impairment of intangible assets mentioned above as well as additional restructuring costs incurred in connection with HR alignment measures in the amount of EUR 1.5 million (EUR 9.6 million in total in 2009). Even though revenue was up compared with the third quarter, a lower gross profit margin reflecting seasonal trends also affected the results for the last quarter of 2009. → ③

The earnings figures reported for 2009 were largely influenced by the one-off items mentioned above. As a result, we are quoting adjusted earnings alongside the regular profit and loss statement for the Group.

Profit before interest, tax, depreciation and amortization (EBITDA) fell 73.1 percent from EUR 100.9 million to EUR 27.2 million; adjusted to discount restructuring costs, EBITDA dropped to EUR 36.7 million. The EBITDA margin amounted to 4.6 percent (previous year: 11.6 percent); the adjusted figure amounted to 6.2 percent.

EBITDA (one-off items)

in € K	2009	2008
EBITDA	27,175	100,944
+ Restructuring costs	9,554	-
EBITDA adjusted	36,729	100,944

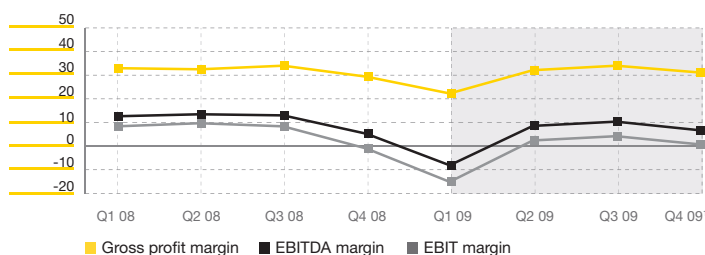
Write-downs rose to EUR 140.3 million (previous year: EUR 43.0 million). This increase is due to one-off write-downs. Other write-downs were down slightly due to the reduction in our rental assets.

Profit before interest and tax (EBIT) dropped to EUR -113.1 million (previous year: EUR 58,0 million); adjusted to one-off write-downs and restructuring costs, EBIT was posted at EUR -3.2 million. The EBIT margin dropped to EUR -18.9 percent (previous year: 6.7 percent); the adjusted figure amounted to -0.5 percent.

③ Effects of cost-cutting measures

Margins from Q1 08 to Q4 09

as a %



¹ Q4 EBIT adjusted to reflect write-downs on intangible assets (goodwill, brand value)

Despite the economic crisis and drop in revenue, we managed to show positive quarterly results as early as Q2 onwards. Our economy drive (which involved cutting conversion and labor costs by EUR 58.5 million in 2009, restructuring costs included) paid dividends. Around EUR 35 million of the resultant savings are long-term.

EBIT (one-off items)

in € K	2009	2008
EBIT	- 113,134	57,990
+ One-off write-downs on intangible assets	100,338	-
+ Restructuring costs	9,554	-
EBIT adjusted	- 3,242	57,990

Natural hedging protects the Group against fluctuations in exchange rates. During the period under review, the dollar weakened slightly against the euro (EUR 1 = USD 1.3955; previous year: EUR 1 = USD 1.4741).

The financial result remained on a par with 2008's result at EUR -2.3 million (previous year: EUR -2.3 million).

Profit before tax (EBT) dropped to EUR -115.5 million (previous year: EUR 55.7 million); adjusted to discount one-off write-downs and restructuring costs, EBT was down to EUR -5.6 million.

Tax revenue amounted to EUR 5.5 million (previous year: tax expenditure of EUR 17.6 million). This revenue mainly resulted from the reversal of deferred tax liabilities in combination with write-downs on the Neuson brand value in the amount of

EUR 2.7 million and capitalization of tax loss carryforwards. The tax ratio dropped from 31.6 percent in fiscal 2008 to 18.7 percent in 2009 (adjusted to discount write-downs on intangible assets and deferred taxes payable on that amount).

At EUR 110.1 million, the net loss for the year was clearly below the profit posted for the same period last year (EUR 37.4 million); adjusted to discount one-off write-downs and restructuring costs, the net loss for the year amounted to EUR 2.9 million.

Profit for the period (one-off items)

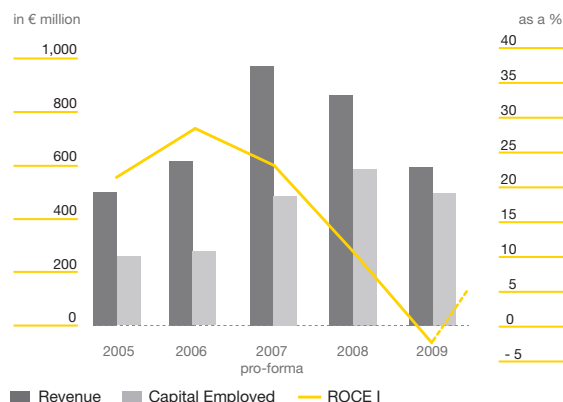
in € K	2009	2008
Profit for the period	- 110,104	37,389
+ One-off write-downs on intangible assets	100,338	-
- Deferred taxes ¹	2,700	-
+ Restructuring costs	9,554	-
Profit for the period adjusted	- 2,912	37,389

¹ Deferred taxes amount of EUR 2.7 million payable on these write downs.

Based on 70.14 million ordinary shares in circulation on average during the period, earnings per share totaled EUR -1.57 (previous year: EUR 0.53). Adjusted to discount one-off items, this figure amounts to EUR -0.04.

4 Influence of return on capital employed (ROCE)

Capital employed and ROCE I 2005 to 2009



The average level of capital employed rose as a result of the merger. A negative EBIT in 2009 resulted in a negative return on capital employed (ROCE). Our aim is to return ROCE to its former high level in the future.

In view of the drop in earnings, the Executive and Supervisory Boards of Wacker Neuson SE will propose waiving a dividend payout and carrying the net profit/loss forward at the AGM on May 28, 2010.

Internal company reporting has been extended to include the indicators capital employed, return on capital employed (ROCE I and II) and return on equity (ROE). ROCE I dropped

from 10.8 percent in fiscal 2008 to - 2.4 percent. ROCE II was down to - 1.9 percent (previous year: 7.4 percent). → ④

Partly accountable for this was our low NOPLAT (net operating profit less adjusted taxes), which was influenced by the downturn in business. The indicators presented here are calculated on the basis of the items or notes in the Consolidated Financial Statements as follows:

Calculating ROCE I and II (Return on Capital Employed)

in € K	2009	2008	pro-forma 2007
EBIT ¹	- 12,796	57,989	112,632
Tax ratio acc. to P&L statement ¹	18.68%	31.57%	31.62%
NOPLAT¹ = EBIT - (EBIT x tax ratio)	- 10,406	39,684	77,015
Non-current assets	632,696	750,008	697,036
Goodwill	- 236,016	- 326,059	- 325,676
Brands	- 54,040	- 64,838	- 64,838
Other investments	- 4,144	- 3,420	- 1,649
Loans	- 99	- 139	- 83
Investment securities	- 3,094	- 2,870	- 1,656
Interest rate swap	0	0	- 832
Present value (finance lease obligations) of long-term assets	- 9,680	- 14,659	- 17,362
Long-term borrowings			
Deferred taxes ¹	- 25,530	- 31,989	- 33,724
Non-current operating assets	300,093	306,034	251,216
Current assets	339,042	428,603	517,474
Marketable securities	0	- 1,894	- 88,656
Cash and cash equivalents	- 85,024	- 65,600	- 76,816
Trade payables	- 21,251	- 32,290	- 63,084
Short-term provisions	- 13,583	- 11,112	- 9,324
Current tax payable	- 413	- 466	- 1,366
Other liabilities	- 29,102	- 35,184	- 42,698
Net working capital	189,669	282,057	235,530
Capital employed	489,762	588,091	486,746
Average capital employed	538,927	537,419	486,746
ROCE I (EBIT/average capital employed)	- 2.37%	10.79%	23.14%
ROCE II (NOPLAT/average capital employed)	- 1.93%	7.38%	15.82%

¹ 2009 EBIT recognized before one-off write-downs on intangible assets in the amount of EUR K 100,338. Tax ratio 2009 calculated without deferred taxes in the amount of EUR 2.7 million payable on these write-downs.

Finances

- Positive liquidity situation within the Group
- Clear cut-back in investments
- Sharp reduction of working capital

Principles and targets of financial management at Wacker Neuson

Financial management at the Wacker Neuson Group is guided by the need to strike a healthy balance between financial security, return on equity and earnings. To achieve this, we draw on set balance sheet ratios and key indicators to manage our financing needs. The key indicators here are the long-to-short ratio on borrowing terms and the equity ratio.

Our aim is to fund day-to-day operations with operative cash flow as far as possible. We concentrate on liquid, safe investments for any financial surplus, ensuring these funds realize the prevailing interest rates and are available to finance sustainable growth.

The Wacker Neuson Group uses standard derivative 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.

Financial solvency main aim of liquidity management

The main objective of liquidity management is to ensure the financial solvency of the Wacker Neuson Group at all times. To this end, the 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 deposits receive interest equivalent to market conditions for the respective currency.

Positive cash flow developments

Cash flow from operating activities reached EUR 138.3 million at the end of the fiscal year (previous year: EUR 38.1 million).

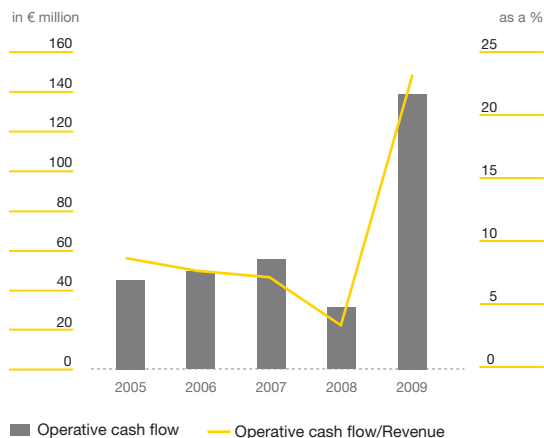
→ 5 Thus day-to-day operations were funded as planned with cash flow from operating activities.

Cash flow from investment activities came to EUR -38.1 million (previous year: EUR -16.4 million). The 2008 figure was less negative than the figure reported for this year due to high investments in 2008 in property, plant and equipment and sizeable proceeds from the sale of marketable securities. It should be noted that only investments that have been paid are recognized in the cash flow from investment activities.

During the period under review, we invested EUR 36.3 million in property, plant and equipment (previous year: EUR 93.1 million), thus managing to remain below our target ceiling of

5 Increase in operative cash flow

Operative cash flow 2005 to 2009



The high operating cash flow pushed our cash flow to revenue ratio right up to 23.2 percent, clearly demonstrating the company's strong operative earnings potential. As a result, 23.2 percent of company revenue was available for investments and debt servicing. Once again, we financed our day-to-day operations with cash flow from operating activities in 2009.

EUR 50 million. Investments were thus 61.0 percent lower than last year's level, which was partly inflated by our strategic investments in expanding our own rental fleet in Central and Eastern Europe.

Investments in the period under review can be broken down as follows: renewal/maintenance investments; construction work on our new R&D center and company headquarters in Munich to the tune of EUR 9.2 million plus expansion of our sales activities to the value of EUR 4.5 million. Intangible assets accounted for EUR 7.1 million of our investment spend. The investment (property, plant and equipment plus intangible assets) to write-downs ratio (excluding one-off write-downs) thus dropped and amounted to a relative share of 1.1 (previous year: 2.4). → 6

Investments (extract)

in € million	2009
Construction of new R&D center and headquarters Munich, Germany	9.2
Expansion of sales and service stations	4.5
Intangible assets	7.1

Cash flow from investment activities came to EUR -53.0 million in the reporting period (previous year: EUR -21.9 million). Outlays included dividend payments of EUR 13.7 million, long-

term bank-loan repayments amounting to EUR 5.4 million and short-term loan repayments of EUR 33.7 million.

Free cash flow totaled EUR 100.6 million in the last fiscal year (previous year: EUR 23.4 million). Free cash flow corresponds to cash flow from operating activities plus investment activities without changes to the consolidation structure, plus amounts accruing from the issue of new shares including the costs of raising capital.

Statement of free cash flow changes

in € K	2009	2008
Cash flow from operating activities	138,255	38,109
Cash flow from investment activities	- 38,112	- 16,445
Change in consolidation structure	+ 460	+ 1,771
Cost of procuring capital	0	- 69
Issue of new shares	0	0
Free cash flow	100,603	23,366

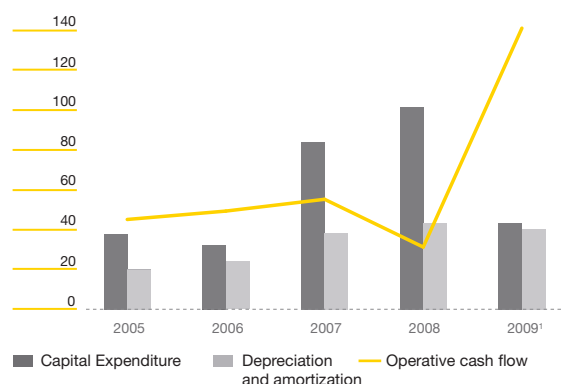
Comfortable liquidity reserve

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

6 Reduction in investments

Investments and operative cash flow from 2005 to 2009

in € million



¹ 2009 depreciation and amortization: excluding write-downs on intangible assets

Following on the high levels of investment over the past few years, 2009 saw a 50 percent cut in our investment budget, placing it just above write-downs. The operative cash flow increased significantly over the course of the year as we reduced our working capital, reaching EUR 138.3 million at year-end.

of all credit lines had been drawn. The Group had liquid funds to the value of EUR 85.0 million (previous year: EUR 65.6 million) at year-end. In our view, our liquidity situation is extremely stable, affording us the freedom to operate independently of bank or state funding in challenging economic times.

Despite the current financial crisis, the Group still has sufficient credit lines from German and international credit institutions to meet future liquidity requirements. The distribution of total borrowings across multiple banks means we are not dependent on individual lenders. This is an effective strategy in view of current financial market uncertainty and it guards us as effectively as possible against the risk of collapse of an individual credit institute and the associated loss of a credit line.

We do not expect any significant deterioration in the refinancing market in the near future. Although banks have increased their margins on loans, this is largely compensated for by the drop in interest rates.

Efficient working capital management

One of our priorities in 2009 lay in reducing our working capital. At the closing date, we had succeeded in reducing this figure by 28.3 percent to EUR 217.9 million (previous year: EUR 303.9 million). Due to the ramping down of production volume and the active reduction of existing stocks, inventory was down to EUR 148.3 million (previous year: EUR 217.0 million). Trade payables dropped 34.2 percent to EUR 21.3 million (previous year: EUR 32.3 million), thanks primarily to the speed

with which production was able to respond to the downturn in demand. Trade receivables consequently dropped 23.8 percent to EUR 90.8 million (previous year: EUR 119.2 million). The working capital to revenue ratio rose from 34.9 percent in fiscal 2008 to 36.5 percent due to the drop in demand. [7](#)

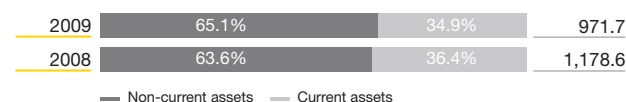
Assets

- Balance sheet structure aligned with current market conditions
- High equity ratio despite goodwill impairment
- Group reports net financial assets

The balance sheet total fell during the last fiscal year to EUR 971.7 million (previous year: EUR 1,178.6 million).

Balance sheet structure (assets)

in € million



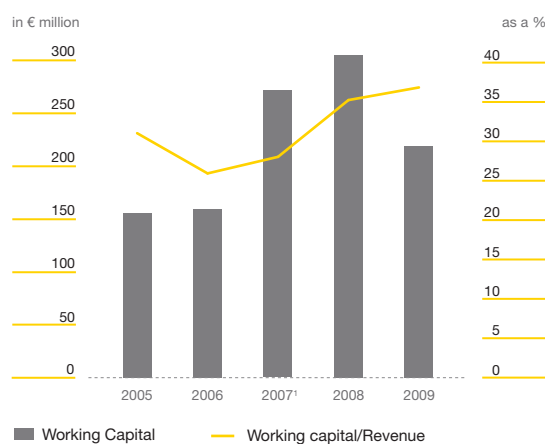
Balance sheet structure (equity and liabilities)

in € million



7 Reduction in working capital

Working capital 2005 to 2009



¹ Revenue 2007 on pro-forma basis.

The merger (2007) and economic crisis (2008) pushed working capital upwards. In 2009, we actively reduced it by 28.3 percent, thus adapting our balance sheet structure to the drop in revenue. For 2010, we are aiming for a working capital to revenue ratio of 35 percent.

Assets dropped to EUR 597.8 million (previous year: EUR 703.6 million). This was due to the results of an impairment test carried out on the basis of projected figures. The test revealed a discrepancy as released in December when the net book value of the Neuson Kramer subgroup was compared with the current fair market value, which resulted in one-off write-downs on intangible assets, mainly goodwill, in the consolidated Group financial statements in the amount of EUR 100.3 million. This impairment does not impact on liquidity. The goodwill resulted from the merger between the former Wacker Construction Equipment AG and the former Neuson Kramer Baumaschinen AG in 2007. Following impairment, goodwill amounted to EUR 236.0 million (previous year: EUR 326.1 million). Intangible assets dropped to EUR 87.6 million (previous year: EUR 98.4 million).

Due to the down-turn in production, the value of finished products declined from EUR 159.1 million in fiscal 2008 to EUR 107.1 million during the year under review. At EUR 339.0 million, current assets were down due to the reduction in inventory and the drop in trade receivables (previous year: EUR 428.6 million).

High equity ratio

The net loss for the year squeezed equity to EUR 791.5 million (December 31, 2008: EUR 911.8 million). Despite the write-downs on the Neuson Kramer subgroup necessary at year-end, the equity ratio nonetheless amounted to 81.5 percent (December 31, 2008: 77.4 percent). In our view, it is thus still at a relatively high level for the industry. The company's share capital remained unchanged at EUR 70.14 million. ROE dropped in 2009 to -1.4 percent (previous year: 4.2 percent). This development is attributable to the loss before minority interests.

Total non-current liabilities dropped 10.8 percent to EUR 89.3 million (previous year: EUR 100.1 million). Long-term borrowings contracted to EUR 33.6 million (previous year: EUR 38.8 million). At EUR 30.2 million, long-term provi-

sions remained at the previous year's level (previous year: EUR 29.3 million). Deferred tax posted as liabilities dropped to EUR 25.5 million (previous year: EUR 32.0 million).

Total current liabilities were down 45.4 percent to EUR 90.9 million (previous year: EUR 166.7 million). This is mainly due to a fall in trade payables and principal payments on short-term bank loans.

Despite dividend payouts in the amount of EUR 13.3 million, the Group posted net financial assets of EUR 24.9 million at the closing date (balance at December 31, 2008: EUR 59.0 million net financial debt). Although our net financial debt was already at a relatively low level, we were keen to reduce it further given the uncertainty surrounding financial market developments. Our objective was to close the year with a positive balance. To calculate net financial assets, please refer to item 30 in the notes "Risk Management / Capital Management". At the closing date, gearing was posted at -3.1 percent and is thus positive (previous year: 6.5 percent, which was negative).

Net financial debt

in € K	Dec. 31, 2009	Dec. 31, 2008
Non-current liabilities	- 33,583	- 38,845
Current borrowings from banks	- 14,889	- 81,742
Current portion of non-current liabilities	- 11,698	- 5,876
Marketable securities	0	+ 1,894
Cash and cash equivalents	+ 85,024	+ 65,600
Total	+ 24,854	- 58,969

Financial structure

Please refer to the section on financial liabilities, no. 20, in the Notes to the Consolidated Financial Statements for information on the financial structure, financial covenants and the terms of covenants.

Calculating ROE

in € K	2009	2008	2007 pro-forma
Profit/loss before minority interests ¹	- 12,307	38,105	75,526
Equity capital	791,522	911,819	912,719
Average equity capital	851,671	912,269	912,719
ROE as a % (profit/loss before minority interests/average equity capital)	- 1.4	4.2	8.3

¹ 2009 figures before one-off write-downs on intangible assets in the amount of EUR K 100,338. Incl. deferred taxes amount of EUR 2.7 million payable on these write-downs.

Off-balance-sheet assets and financial instruments

In addition to the assets shown in the consolidated balance sheet, the Group also makes customary use of assets that cannot be recognized in the balance sheet. These generally refer to leased, let or rented assets (operating leases). Please refer to the section on other financial liabilities, no. 25, in the Notes to the Consolidated Financial Statements for detailed information.

The Group does not use any other major off-balance-sheet financial instruments such as the sale of receivables.

Judgements and estimates

During the fiscal year, no voting rights were exercised and no balance-sheet provisions were made which, if exercised or organized differently, would have had a material effect on the profit, finances and assets position of the Group.

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

General overview of economic situation

In fiscal 2009, sales of compact and light equipment was marked by a growing reluctance on the part of our customers to invest as a result of the global economic crisis. This

depressed Group revenue and profit figures. The company responded with targeted cost-cutting measures, which had the effect of putting quarterly profit back in the black from the second quarter onwards.

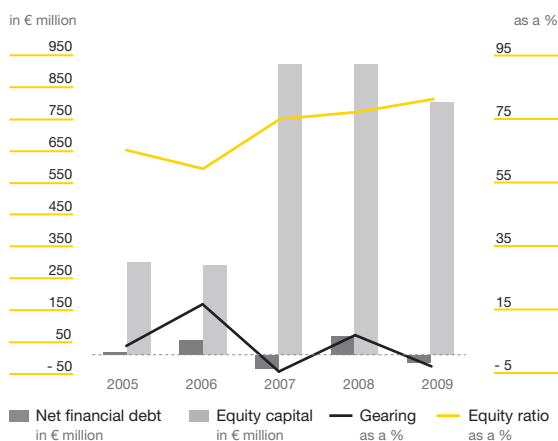
Group management feels that the last fiscal year has further strengthened the company's healthy financial position, allowing for a balance sheet commensurate with the current market climate.

We also continued to make solid progress in our efforts to reduce inventory levels and brought working capital down 28.3 percent or EUR 86.0 million. Despite the one-off write-downs necessary at year-end, mainly on goodwill, we nonetheless managed to maintain a high equity ratio of 81.5 percent. Over the course of the year, we converted our net financial debt shown on December 31, 2008 into a positive balance of EUR 24.9 million. Combined with a cut-back in investments, this has enabled us to maintain our strong financial position with liquid funds in the amount of EUR 85.0 million and a gearing of -3.1 percent. As a result, the company is de-facto debt-free. Day-to-day operations were funded as planned with cash flow from operating activities. → 8

In addition to existing liquid funds, we have created additional financial headroom through our credit lines, less than 50.0 percent of which were drawn at the closing date. We thus achieved our targets of securing our financial position, going on to even significantly improve it in 2009.

8 Good finance and assets position

Key figures from the balance sheet 2005 to 2009



Following the merger-related rise in equity, write-downs on intangible assets reduced the equity book value in 2009. Wacker Neuson still has a high equity ratio in excess of 80 percent and is free of debt with a positive balance of EUR 24.9 million (negative gearing). In addition, we have drawn on less than 50 percent of our credit lines, giving us added maneuverability.

V. Profit, finances and assets of Wacker Neuson SE (condensed version according to HGB)

The Annual Financial Statements of the parent company Wacker Neuson SE have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (Aktiengesetz). In 2009, the Management Report has been integrated into the Group Management Report for the first time.

The Annual Financial Statements describe the results of business activities conducted by Wacker Neuson SE during fiscal 2009. This includes trading activities on the German market with products from our own manufacturing facilities along with imports from affiliates and suppliers, the rental, spare parts and service business in Germany and exports from our German production facilities.

Income statement Wacker Neuson SE (condensed version)

In € K	Dec. 31, 2009	Dec. 31, 2008
Revenue	212,510	270,652
Cost of sales	- 140,701	- 173,182
Gross profit	71,809	97,470
Sales and administrative expenses	- 81,128	- 88,936
Other income	12,134	7,110
Other expenses	- 8,567	- 12,130
EBIT	- 5,752	3,514
Income from shareholding in companies	9,265	38,694
Income from other securities and long-term loans	30	52
Interest and similar income	1,785	5,369
Write-downs on financial assets	- 550	0
Interest and similar expenses	- 769	- 1,525
Profit before tax (EBT)	4,009	46,104
Taxes on income and earnings	- 378	- 2,603
Profit for the period	3,631	43,501
Retained earnings	30,174	64,458
Allocation to other revenue reserves	- 30,174	- 64,458
Retained earnings	3,631	43,501

The economic downturn was reflected in the revenue and earnings figures posted by Wacker Neuson SE in fiscal 2009, although business in Germany remained relatively stable compared with the previous fiscal year. Mainly as a result of the drop in exports, revenue in 2009 dropped 21.5 percent to EUR 212.5 million (previous year: EUR 270.7 million).

The cost of sales was down at EUR 140.7 million (previous year: EUR 173.2 million). The gross profit margin decreased to 33.8 percent (previous year: 36.0 percent), reflecting the higher percentage of low-margin products in the revenue mix.

We deployed a variety of economy measures to align our cost structure with the sluggish pace of business. We reduced SG&A expenses, for example, from EUR 88.9 million in fiscal 2008 to EUR 81.1 million in 2009. Netted, other expenses and other income declined by EUR 8.6 million. This pushed earnings figures up, mainly as a result of higher gains on currency conversions.

Profit before interest and tax (EBIT) dropped to EUR -5.8 million (previous year: EUR 3.5 million).

Income from shareholdings in companies accruing to Wacker Neuson SE fell by EUR 29.4 million to EUR 9.3 million in fiscal 2009 as a result of lower affiliate dividend pay-outs. Negative factors here included value impairments on investments in affiliates.

At EUR 3.6 million (compared with EUR 43.5 million last year), profit for the period was positive despite the negative EBIT. This is attributable to dividend pay-outs from affiliates.

Taking retained earnings in the amount of EUR 43.5 million, allocation of EUR 30.2 million to other revenue reserves, and a dividend pay-out to the value of EUR 13.3 million, Wacker Neuson SE posted a net profit of EUR 3.6 million.

Assets and finances

Company assets rose overall to EUR 687.4 million (previous year: 673.8 million). This was due in part to an increase in intangible assets resulting from down-payments for the ongoing project to roll out SAP. It was also due to a rise in outlay on property, plant and equipment required to build the new R&D center and company headquarters in Munich. Financial assets rose from EUR 553.2 million to EUR 563.7 million, related primarily to capital increases at affiliate level.

Balance sheet of Wacker Neuson SE (condensed version)

in € K	Dec. 31, 2009	Dec. 31, 2008
Intangible assets	4,696	3,974
Property, plant and equipment	119,049	116,611
Financial assets	563,699	553,216
Assets	687,444	673,801
Inventories	26,687	29,961
Trade receivables	10,570	13,574
Receivables from associated companies	26,048	66,151
Other assets	7,216	9,037
Liquid assets	57,012	32,363
Current assets	127,533	151,086
Deferred items	1,394	739
Balance sheet total (assets)	816,371	825,626
Equity capital	755,848	765,544
Special tax-free reserves	89	98
Other provisions	20,934	19,494
Borrowings from banks	25,098	30,971
Trade payables	6,446	4,530
Payables to associated companies	6,543	3,460
Other liabilities	1,403	1,529
Liabilities	39,490	40,490
Deferred items	10	0
Balance sheet total (liabilities)	816,371	825,626

Current assets dropped from EUR 151.1 million to EUR 127.5 million, mainly reflecting active efforts to reduce inventory and repayment of short-term loans to associated companies recognized under receivables from associated companies. Liquid assets rose correspondingly.

Equity capital was down at EUR 755.8 million (previous year: EUR 765.5 million) due to dividend payments effected in 2009. At EUR 584.0 million, capital reserves remained at the previous year's level. Wacker Neuson SE's share capital also remained stable relative to the previous year at EUR 70.1 million. It is divided into 70,140,000 individual no-par-value nominal shares. The equity ratio amounted to 92.6 percent (previous year: 92.7 percent).

Cash flow statement of Wacker Neuson SE (condensed version)

in € K	Dec. 31, 2009	Dec. 31, 2008
Operations		
Cash flow to DVFA/SG	23,829	63,440
Cash flow from operating activities	43,367	41,505
Investments		
Cash flow from investments	- 35,039	29,801
Finance		
Cash flow from financing activities	16,321	- 85,053
Change in cash and cash equivalents	24,649	- 13,747
Cash and cash equivalents on January 1	32,363	46,110
Cash and cash equivalents on December 31	57,012	32,363

Provisions were up at EUR 20.9 million (previous year: EUR 19.5 million), whereas liabilities were down slightly at EUR 39.5 million (previous year: EUR 40.5 million).

In the year under review, cash flow according to DVFA/SG (German Society of Financial Analysts and Investment Consultants) dropped by EUR 39.6 million to EUR 23.8 million (previous year: EUR 63.4 million) due to the lower profit reporting for the period. Liquid assets rose by EUR 24.6 million to EUR 57.0 million (previous year: EUR 32.4 million) in keeping with the reduction in working capital and investment cut-backs.

In summary, company management feels that Wacker Neuson SE's financial position remains strong. The company's earnings figures are commensurate with the negative market climate.

Dividend proposal

At the AGM on May 28, 2010, the Executive and Supervisory Boards will propose refraining from making a dividend payout, instead carrying the net profit/loss for the period forward.

The auditing company Rölfs WP Partner AG, Munich, Germany, has audited the Annual Financial Statements of Wacker Neuson SE in full and approved them without qualification. The audited report will be published in the electronic Federal Gazette. It can also be downloaded from <http://wackerneuson.com/ir/en-financial-rep.php>.

Statement from the Executive Board pursuant to Section 312 AktG

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

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

VI. Segment reporting by region

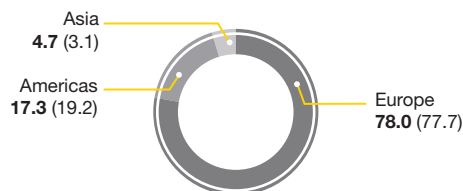
- Revenue up in Asia
- Stabilization in the US
- Worldwide launch of compact class continues

With its broad product and service portfolio, the Wacker Neuson Group not only supplies construction companies, but also dealers, rental organizations and importers across the globe. Segment reporting provides an overview of business developments according to region (Europe, Americas and Asia). We also break revenue down according to business segment (light equipment, compact equipment and services).

While sales in the Asia region developed positively, revenue in the Europe and Americas regions and the services, light equipment and compact equipment segments contracted in keeping with the prevailing market climate.

Sales by region¹

as a % (previous year)



¹ Differences attributable to rounding

Europe

Sales by region: Europe

in € K

2009	465,711
2008	676,153

EBIT by region: Europe

in € K

2009	- 7.0 ¹
2008	45,774

¹ Adjusted to discount goodwill write-downs on intangible assets (100.3 € million).

Europe again accounted for the lion's share of revenue in fiscal 2009, despite a drop of 31.1 percent to EUR 465.7 million (previous year: EUR 676.2 million). Segment profit before interest and tax (EBIT) dropped from EUR 45.8 million to EUR -107.3 million. Adjusted to the impairment (EUR 100.3 million), EBIT was posted at EUR - 7.0 million.

Direct sales have stabilizing effect on downswing in demand

The negative impact of the US subprime crisis increasingly spilled over to Europe over the course of fiscal 2009, hitting large Western European construction markets with full force as the year wore on. Caution increased among construction companies across Europe and orders were deferred or even canceled. Despite government attempts to revive construction markets, little or no impact was to be seen in our business.

Almost all European affiliates therefore saw sales fall in fiscal 2009. Our strong market presence, the depth and breadth of our product portfolio, superior rental, spare parts and repair services plus the advantages of a direct sales network provided business momentum, however.

Stable construction market in Poland

The upward trend established in Eastern Europe in past years turned around in 2009 with a drop in sales. In Russia, where we reported around 30 percent growth in 2008, the market contracted to such an extent that we had to postpone the launch of compact equipment for the time being. The outlook was slightly better in Poland, where the high number of construction projects underway had a stabilizing effect on the new residential market. Despite the financial crisis, the non-residential market in Poland grew, fueled by new office buildings and redevelopment projects.

Revenue up in Switzerland

Harmonization of sales channels in Switzerland produced a 10.4-percent rise in revenue.

The construction market in Scandinavia was also on the decline in fiscal 2009. Demand for mobile hydronic heating equipment was on the up, however.

Stable business base in Germany and Austria

Germany again accounted for the lion's share of European revenue, showing stable performance over the period under review. Despite ongoing construction work and infrastructure investment schemes, construction activities leveled off during the course of the year. This also had a negative impact on the sale and rental of light and construction equipment. We nevertheless managed to expand our leading market position, building on our strong customer proximity with over 70 sales and service stations in Germany. Other factors that had a positive impact include new products and our improved service offering. Similarly, business was stable in Austria in fiscal 2009.

Americas

Sales by region: Americas

in € K

2009		103,116
2008		166,936

EBIT by region: Americas

in € K

2009		- 8,063
2008		11,599

For over two years now, business developments in the US have been shaped by the negative economic climate and sharp cut-backs on investments in residential construction as well as commercial and underground projects.

In the second half of 2009, however, business in the US started to pick up slightly. Revenue in this region nonetheless dropped over the year as a whole by 38.2 percent to EUR 103.1 million (previous year: EUR 166.9 million). Segment profit before

interest and tax (EBIT) totaled EUR -8.1 million (previous year: EUR 11.6 million). Adjusted to currency fluctuations, revenue in the Americas fell 43.1 percent. As in previous years, our US production and sales affiliate, Wacker Neuson Corporation, yielded the lion's share of sales in the US. Expressed in the local currency (US dollars), its revenue was also 43.1 percent below the previous year's level, despite an increased share of exports to Europe and Asia.

Despite the challenging market climate, we pressed ahead with the launch of compact equipment in the US. We are pleased to report that during the course of the year, we doubled the number of US dealers distributing Wacker Neuson products in the US (to over 50). Demand for mobile hydronic heating equipment (from the company formerly known as Ground Heaters, which we acquired in 2006) was healthy.

Despite government-funded infrastructure projects, the construction markets in Canada and South America also remained on a downward path.

Wacker Neuson garners US awards for innovative products

At the start of fiscal 2009, Wacker Neuson Corporation received five Top 100 Product Awards from the "Construction Equipment" magazine in acknowledgement of the excellent machines it launched on the US market in 2008. This prize is awarded for innovative products that result in greater productivity, efficiency and security to the end customer. Wacker Neuson is the first company to receive five such awards in just one year.

Asia

Sales by region: Asia

in € K

2009		28,186
2008		27,242

EBIT by region: Asia

in € K

2009		789
2008		1,393

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

Revenue growth in China

Compared with fiscal 2008, revenue in Asia rose 3.5 percent from EUR 27.2 million to EUR 28.2 million. Segment profit before interest and tax (EBIT) dropped 43.4 percent to EUR 0.8 million (previous year: EUR 1.4 million).

The fact that we expanded sales activities in China in recent years paid increasing dividends in 2009. Thanks also to national infrastructure projects to expand the highway and railroad network, we again enjoyed a positive trend in this region over the course of the year. Revenue in China rose 32.7 percent in 2009 (previous year: 47.0 percent).

In Australia and New Zealand, we launched products for the agricultural industry under the Weidemann brand. And in Japan, we closed a distribution agreement for Wacker Neuson light equipment in Japan with Yamabiko. Our former affiliate in Japan is being liquidated.

VII. Segment reporting by business segment

- Drop in unit sales in 2009
- Slightly positive trend emerging with light equipment sales since middle of the year
- Slight downturn in services segment

Revenue in the light and compact equipment segments suffered under the economic crisis in fiscal 2009. As we moved into the second half of the year, however, light equipment started to pull out of its sales slump.

Sales by business segment

in € K	2009	2008
Light equipment	213,494	331,352
Compact equipment	205,321	355,979
Services	183,273	188,507
Minus cash discounts	5,075	5,507
Total sales	597,013	870,331

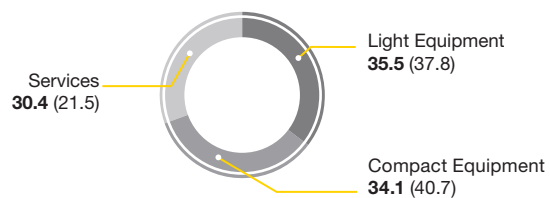
Light equipment

The light equipment segment covers the business fields of concrete technology, soil and asphalt compaction, demolition and utility. This equipment is targeted at professional users in mainstream construction, gardening and landscaping worldwide. Our customers are predominantly active in non-residential construction and mainly use our products in infrastructure developments and repairs, but also in structural and commercial projects. Production is demand-driven with short delivery times. The company therefore does not report order intake or order backlog for this segment.

The light equipment segment was hit by the recession back in fall 2007 as the US subprime crisis spilled over to Europe. Revenue before discounts again dropped in 2009, this time by 35.5 percent from EUR 331.4 million to EUR 213.5 million. This is attributable to decreased unit sales of new equipment to major customers, mainly in the US, Spain, France, Great Britain and Eastern Europe. Moving into the third quarter, however, a slight upward trend was evident in certain markets. This positive trend was confirmed in the fourth quarter. This segment accounts for 35.6 percent of total revenue (before discounts) (previous year: 37.8 percent).

Sales by business¹

as a % (previous year)



Numerous new product launches

We expanded our portfolio by launching 44 new products or product variants (previous year: 63) during the year under review. We introduced a number of technical innovations that comply with all the latest environmental and user protection statutory guidelines.

In the concrete technology business field, new launches included a line of internal vibrators, 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 new mobile generators and a mobile hydronic heater. In the soil and asphalt compaction field, we brought, for example, a vibratory roller plus vibratory plates with electric starters and infrared control to market.

Compact equipment

The compact equipment business segment covers the manufacture and sale of compact machinery under the Wacker Neuson, Kramer Allrad and Weidemann brands. In addition to all-wheel and articulated wheel loaders, the compact equipment segment includes compact excavators, skid-steer loaders, telescopic handlers and dumpers as well as attachments.

Revenue before discounts dropped from EUR 356.0 million in 2008 to EUR 205.3 million last year (which corresponds to a drop of 42.3 percent). This segment accounts for 34.1 percent of total revenue (before discounts) (previous year: 40.6 percent).

High levels of compact equipment inventory, compact excavators in particular, held by all manufacturers in Europe had a massive impact on business in this segment during the year under review. This situation eased towards the end of the year. Over the course of 2009, we reduced our compact inventory by 57 percent.

Accumulated orders for compact equipment dropped significantly during 2009 as a result of the sharp decline in demand. A reluctance to invest among rental companies and major customers put a major dent in unit sales, with compact construction equipment orders mid-2009 50 percent below the previous year's level. However, there were some signs of a recovery in the second half-year. The opposite was the case with compact agricultural machinery, which remained on a downward path in the second half-year, although this trend was not as pronounced. In total, accumulated orders were 34 percent below the previous year's level.

Intensified competition increased price pressure during the period under review. Many of our competitors had to contend with significant price erosion. We also had to compromise on sales prices – albeit to a limited extent. This had a negative impact on our gross profit margin. To counter this effect, we offered our customers special financing programs.

Compact products launched through the existing sales network

During the period under review, we continued to launch compact equipment via our global sales and service network, primarily in Spain, Switzerland, South Africa, Australia and the US. Customer feedback was very positive despite the challenging market climate. We postponed our plans to launch compact equipment in Russia for the time being.

We continue to innovate and improve the quality of our extensive compact portfolio, encompassing around 40 models. We developed, for example, an easy-lock hydraulic system for compact excavators so operators can hitch attachments quickly. Also new in 2009 was our Vertical Digging System (VDS), fitted as standard on all compact excavators. This hydraulic tilt mechanism keeps the bucket in a vertical position even on uneven ground, saving customers both time and money, and at the same time increasing operator ergonomics. During the course of the year, we also launched wheel and track dumpers with more powerful motors and hydraulics, new skid-steer loaders and a number of new telescopic handler and wheel loader machine variants under the Kramer Allrad and Weidemann brands. In addition, we now deliver dumpers with driver cabins as standard, with the advantage of allowing customers to continue work regardless of the weather.

Curbed demand for products for the agricultural industry

In 2009, demand for agricultural machinery was shaped not only by the overall economic crisis, but also by the adverse effects of low milk prices, generally low food and fodder prices in Europe and general uncertainty surrounding agricultural policies. As the construction industry was harder hit by the recession, however, agricultural machinery in 2009 nonetheless accounted for a slightly larger share of total compact revenue than in the previous year – 13.6 percent compared with 13.1 percent last year.

The number of visitors in November 2009 to Agritechnica 2009, the world's largest agricultural machinery event, provided clear indication that agricultural landholders are looking to invest again. Amongst the Hoftrac models, wheel loaders and telescopic handlers on show, Weidemann showcased numerous

world firsts, including the telescopic handler T 4512 CC35 and other Hoftrac CC models, all designed to raise efficiency and cost effectiveness levels in agricultural work.

The 6030cp telescopic handler developed by Kramer-Werke GmbH for the company CLAAS received the much-acclaimed iF design award 2010 in 2009. The award is presented on an annual basis in acknowledgement of design excellence. Around 2,500 projects from 39 countries were submitted in 2009.

Services

The services business segment encompasses our after-market (repair and maintenance) and rental business fields, each covering both light and compact equipment.

Revenue in this segment dropped only slightly by 2.8 percent to EUR 183.3 million in 2009 (previous year: EUR 188.5 million). This was enabled on the one hand by positive developments in the rental business and, on the other, by a three percent or so increase in the price of spare parts in the second quarter of 2009. Services accounted for 30.4 percent of total revenue (before discounts) (previous year: 21.5 percent).

Services resonate strongly among customers

Our strategy in the traditional repair and spare parts segment was once again on track in 2009. In countries with direct sales channels, we further reduced lead times for repairs, improved our equipment pickup and delivery service from and to construction sites and intensified training for our service staff. We were able to hold our own against independent workshops and construction machinery dealers. Due to the prevailing market climate, revenue from the services segment dropped from EUR 133.8 million to EUR 119.9 million (-10.4 percent). Strong customer ties in particular helped to keep this downward trend in check.

Rental revenue up in Central and Eastern Europe

During the year under review, the rental business in Central and Eastern Europe improved performance considerably on the previous year, despite the difficult market conditions. At EUR 63.3 million, revenue was at an all-time high and 15.9 percent above last year's figure of EUR 54.7 million. Here we are seeing the dividends of our investment policy over the past years and our strategy to stock our rental fleet preferably with products from Wacker Neuson production plants. Figures for this segment include the sale of used machines from our rental fleet. We only expand our rental business in regions where we do not enter into conflict with our rental customers.

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 predictable cost structure of renting. The trend for short-term rentals became more pronounced in 2009, with the number of daily rentals outweighing that of monthly or longer-term rentals. Our affiliates responded with flexibility to customer demands, making rental machines available at short notice, when and where they were needed. As a result, we increased the return on our rental investment to around 53.5 percent (previous year: 45.8 percent). This increase is attributable to the rise in rental revenue and optimization of our rental fleet. It shows that we were on the right track with our strategy to systematically expand this line of business in Central and Eastern Europe.

VIII. Other factors that impacted on results

Research and development

- Launch of new products and product variants
- Numerous new patent applications
- Construction of new R&D center in Munich progressing according to plan

The company's R&D departments are responsible for designing new products and continually enhancing existing models. All activities in this area 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 aimed in particular at lowering manufacturing costs and extending our pioneering position in product safety, operator safety and environmental protection.

The development departments for light equipment are located in Munich (Germany), Milwaukee (US), Norton Shores (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 (Austria). Development work is coordinated at Group level in order to synchronize activities at local level.

The number of employees in R&D departments for the last fiscal year was lower than the previous year at 224 (previous year: 261 employees). The R&D payroll mainly consists of mechanical and electronics engineers, technical engineers, technical drawers and other skilled workers. In 2009, we concentrated on skill building among these employees with a series of project management and engineering design seminars, flanked by external courses.

Despite our economy drive, we pressed ahead with our product development plans for 2009, bringing these innovations to market in 2009 or preparing them to present at bauma 2010. Our new and enhanced products combine greater cost efficiencies in deployment with the same high standards of quality. We developed various basic models for the global market, creating numerous country variants of these models to meet country-specific requirements. In 2009, we launched 44 new products and product variants in the light equipment segment worldwide (previous year: 63), thus further consolidating our technology lead in this R&D-intensive area. On the compact equipment side, the Group launched 25 new innovations.

The launch highlight in 2009 was the world's most powerful vibratory plate, the DPU 130, nominated for the bauma Innovation Award 2010. Weighing only 1,170 kg, this innovative, remote-controlled plate exceeds the compaction performance of a 7.5-ton roller. To enhance concrete processing, we developed the DF16 rebar tier. It greatly increases the speed, efficiency and ease of fixing and tying together reinforcing bars. On the compact front, our new Vertical Digging System (VDS) fitted as standard on compact excavators in particular resonated strongly among customers. The hydraulic tilt mechanism keeps the bucket in a vertical position even on uneven ground, saving customers both time and money, and at the same time increasing operator ergonomics. We also launched the easy-lock hydraulic quick-hitch system for compact excavators. And Weidemann tapped a new segment in the agricultural market with a new small-sized telescopic model. In the year under review, we finished aligning color and form under our new corporate identity, launched after the merger with Neuson Kramer Baumaschinen AG in 2007.

Innovation is the key to expanding our market shares worldwide. Hence we see R&D as a key growth and success driver at Wacker Neuson. Around 25 percent of segment revenue was generated with light equipment that is less than five years old. On the compact side, innovative equipment accounts for 60 percent of segment revenue. In fiscal 2009, we dropped R&D expenses as planned to EUR 20.5 million (previous year: EUR 25.1 million). This was mainly due to a reduction in property, plant and equipment costs. Despite this drop, we continued to work full steam ahead on numerous product launches. Given the downturn in revenue, the R&D ratio of total revenue was up at 3.4 percent (previous year: 2.9 percent). During the period under review, we also capitalized costs in the total amount of EUR 4.5 million.

Research and development expenditure

in € million

2009	20.5
2008	25.1

Over the last fiscal year, we filed a total of 31 new trademark rights worldwide (previous year: 58 trademark rights). 74 trademark rights were granted (previous year: 87 trademark rights).

We do not procure third-party development know-how; however, we do rely on the strengths of our system suppliers for joint development projects. We only procure third-party services in exceptional cases. This entailed expenses of less than EUR 0.25 million in the compact segment during the year under review. In addition, we cooperate with national and international universities and research institutes. This gives us access to the latest scientific insights, providing valuable impetus to further enhance our products.

We also continued expanding our test department, equipping it with cutting-edge measurement and test stations. Currently under construction in Munich, our R&D center will play a pivotal role in maintaining our dynamic pace of innovation and the high quality of our light equipment into the future. The entire complex, which will also house Group headquarters, is scheduled for completion mid-2011. The investment value of the complex is estimated at EUR 43 million in total.

Production

- Production output flexibly adapted to demand
- Short delivery times for compact equipment
- Short-time work schemes at production plants

We manufacture light equipment at Reichertshofen (Germany), Milwaukee, Norton Shores (both US) and Manila (Philippines). Our focus factory concept guarantees optimum efficiency by ensuring that each product group is manufactured at just one site. Not only do focus factories ensure the rapid availability of products, they also provide a certain degree of natural currency hedging through cross-deliveries between the regional logistics centers attached to the factories. Compact equipment factories are located in Linz (Austria), Pfullendorf and Korbach (both Germany). We have expanded capacity in recent years and – with the exception of our plant in Austria, which is leased – all production facilities are in company ownership. In March 2009, we procured a 160,000 m² or so tract of land in the district of Hörsching, in close proximity to Linz airport (entered in the land register in January 2010). A decision to develop that land has been postponed pending a sustained increase in demand.

The drop in demand for our products in fiscal 2009 resulted in lower utilization of our production capacity, although this situation improved somewhat in the fourth quarter. All plants were affected. Despite stable output at the start of the year at the plants operated by our subsidiaries Weidemann GmbH (Korbach) and Kramer-Werke GmbH (Pfullendorf), here too a deterioration was evident over the second half of the year as demand for agricultural machines contracted.

Our strategy of flexibility proved a success in the situation that prevailed in 2009. We cut temporary staff numbers, our employees reduced holiday hours accumulated and we extended flexitime accounts. Starting in 2009, we also introduced short-time work, starting in Reichertshofen and then in Linz, Pfullendorf and Korbach. These cost cuts helped counter the general effects of the economic recession. In instances where these measures proved insufficient, we were obliged to let production staff go. Short-time work was suspended in Linz and Korbach at the end of 2009.

Short delivery times for compact equipment

Over the course of the past fiscal year, we focused on fine-tuning our production and logistics processes, aligning them specifically with current market dynamics. We reduced machining and wait times in our production chains, optimized quality assurance and aligned deliveries to our logistics centers and rental park with orders.

To raise customer satisfaction levels even further, we systematically reduced order execution times and made every effort to ensure on-time deliveries. Lead times for light equipment in 2009 remained between 24 and 48 hours. High compact inventory compressed lead times to between one and two months (previous year: four to five months).

Reduced inventories

Thanks to the flexible organizational structures in our plants, we were able to rapidly adapt output to the recession-driven drop in demand. Over the year under review, therefore, we succeeded in decreasing inventory by the equivalent of EUR 68.7 million.

We integrated spare parts production for Group members in the Reichertshofen plant, successfully transferring manufacture of spare parts and attachments for Weidemann GmbH during the year under review. Reichertshofen also makes certain items for Kramer-Werke GmbH and Wacker Neuson Linz GmbH. To date, Reichertshofen manufactures 1,118 parts (previous year: 900). This move lowers our dependence on suppliers, as Reichertshofen can also efficiently manufacture small batches of spare parts.

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 progressively raised awareness in the company surrounding the importance of sustainability in our business dealings. In

2009, we again implemented new international, national and local legislation and regulations concerning user safety and environmental protection. We improved the ergonomics of our products, reduced fuel consumption and lowered vibration-induced impact and noise emissions.

We factor sustainability into our products from the development phase onwards. We observe the guidelines governing general emissions, exhaust gas included, plus water and soil protection. As part of this drive, we reduced emissions from our vibratory rammer and gasoline breaker motors to below the statutory levels in 2009. We also recycle materials and resources and separate potential recyclables in production and administration.

Quality management system confirmed by audit

The processes and indicators covered by our quality management system are documented and certified to DIN EN ISO 9001. Our quality management system covers our compact and light equipment business segments, our Group headquarters in Munich, our production plants in Reichertshofen, Pfullendorf, Norton Shores and Milwaukee (USA), our logistics center in Karlsfeld and all sales regions in Germany. In 2009, an external audit reconfirmed that our quality management system is comprehensive and effective. Under the umbrella of this system, for example, quality indicators are reported on a monthly basis for the products from all locations based on the German, US and Canadian markets. These are used to benchmark quality trends and improve quality by exposing scope for improvement. Dedicated quality management officers monitor correct implementation of changes.

Climate protection and resource conservation

We regularly arrange audits to identify areas within our company offering scope to optimize our energy efficiency performance. We have reduced carbon dioxide (CO₂) emissions in a number of ways. These include improved energy management features on our light and compact equipment (which means users are releasing less CO₂), more efficient energy management in our buildings and our fleet, with the combined effect of reducing heat, electricity and fuel consumption.

In the production of our equipment, for example, we use lighter, higher-grade steel wherever appropriate to reduce machine weight. This lightweight design can help to reduce fuel consumption and, by extension, CO₂ emissions. The new plants we constructed in the past three years in Korbach, Pfullendorf, Manila and Norton Shores have all been designed with optimized management systems. Pfullendorf takes the lead here, with highlights including solar panels to heat running water, waste water treatment, rainwater recycling, heat recovery, structural HVAC, and intelligent lighting that adapts indoor hall lighting to natural fluctuations in daylight. These factors enabled us to use energy a lot more efficiently in 2009. A special coating on our machines protects them against the elements and rust. Special, high-quality powder coating technologies are in use at our Korbach and Reichertshofen production facilities. Eco-friendly, water-based coatings ensure a high-quality finish on certain machine parts from Reichertshofen and Pfullendorf. In 2009, we also investigated our other production locations to see how we could also improve our environmental performance at those plants from 2010 onwards.

Since January 2009, we have been sourcing environmentally friendly electricity for three of our sites.

Responsibility doesn't stop at company walls

Throughout the economic crisis of 2009, we remained engaged in a variety of voluntary initiatives to the benefit of our employees. Wacker Neuson is a family business in the wider sense of the word. Not only do Wacker Neuson family members hold a majority of company shares, we also attached a great deal of importance to looking after our employees during the economic crisis. The Curt Wacker Memorial Foundation, for example, helps individual employees in hardship. Also worth mentioning is our Hermann-Wacker Innovation Award, presented each year to our employees in acknowledgement of excellent creative and, above all, technical achievements.

Purchasing

- **Materials procurement adapted to production volume**
- **Closer ties with suppliers**
- **Lead buyer concept successfully established**

Within manufacturing costs, the cost of materials and third-party services constitute the largest cost factors for the Group. In 2009, we thus concentrated above all on optimizing and cutting these two cost blocks.

To manufacture construction equipment, Wacker Neuson requires various components and raw materials – particularly steel, aluminum and copper. We also require structural steel components and precast parts, for instance, as well as hydraulic and chassis components. To meet projected future demands, Wacker Neuson has already concluded flexible agreements for raw materials with its main suppliers in recent years. Following from the extreme volatility experienced in previous years, the raw materials market increasingly stabilized during the year under review. This was due to the general economic uncertainty. We negotiated with our partners, managing to reduce raw material prices. This enabled us to reduce production costs. Long-term contracts for materials subject to variations in annual demand ensured stable pricing for Wacker Neuson.

Closer ties with suppliers

At Wacker Neuson, we are committed to continuous process and product quality improvements, which is why we attach great importance to long-term relationships with our suppliers. This involves actively integrating them into our operations through regular, in-depth discussions on our quality targets, for example. We maintained particularly close ties with our suppliers in 2009 to effectively manage the drop in demand and production levels. Here we aligned material supplies with reduced production throughput, monitoring the availability of supplies and liquidity in times of downturn, but also focusing on concepts to ensure the rapid availability of materials in the event of an upturn in business.

Lead buyer concept successfully established

To maximize on the synergy effects resulting from the consolidation of demand within the company, we introduced a lead buyer concept at our compact equipment production locations

in Linz (Austria), Pfullendorf and Korbach. This enabled us to negotiate more attractive purchasing terms.

We expanded production of steelwork components for the compact equipment segment through our Group member in Serbia. This company supplies our compact production facilities with ready-made parts, thus optimizing compact workflows in the production plants. Here we further optimized production and supply processes. In the event of the anticipated upturn and return to full capacity, we anticipate further cost efficiencies for steel components.

Logistics

- **Rapid availability of products and spare parts**
- **Improvements to logistics processes and delivery structures**
- **Reductions in inventory**

The Wacker Neuson Group logistics centers for new light equipment, spare parts and attachments are located in Karlsfeld (Germany), Germantown (Milwaukee, US) and Hong Kong (China). Spare parts logistics for the Korbach compact plant is integrated in the Karlsfeld logistics center. The Group has an efficient logistics planning system in place within the logistics centers – complemented by the high flexibility of our production facilities.

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. We were able to handle the workload with a total headcount of 235 (previous year: 293).

Inventory held by Wacker Neuson SE in Germany dropped 10.9 percent by the end of the year. Proactive measures to reduce inventory also resulted in a 39.0 percent or so drop in logistics centers in the US and Hong Kong and at plants manufacturing compact equipment.

The ex-works plants in Linz, Pfullendorf and Korbach put out a joint tender for all compact equipment shipments, packages and express deliveries, resulting in a EUR 0.5 million reduction in freight costs for 2009.

The launch of compact equipment, especially in the US, pushed freight costs for this segment up. We currently manufacture the compact products in question in Germany and Austria. Consequently, we rapidly changed domestic US freight processes and reduced costs substantially. These cost efficiencies are of an enduring nature.

We met more demanding customs requirements by increasing process efficiency and providing detailed information. Our customers thus benefited from shorter lead times, particularly on deliveries to and from the US.

Human resources

- Capacity adjustment measures in response to economic crisis
- Emphasis on employee development
- Training for young people actively supported

Especially when it came to the welfare of our employees, it was important for us to make the right decisions in the midst of the economic crisis. It was also important that we retain the high qualification standards among our staff that paid a pivotal role in the Group's rise in recent years.

Back in the fourth quarter of 2008, we introduced measures to reduce manpower capacity and followed these through in 2009. This initially involved expanding work account flexibility, letting temporary staff go and reducing flexitime surplus hours and holiday accruals. Once we had exhausted these options, we introduced short-time work at our German and Austrian production plants. By the end of 2009, we were able to reintroduce normal working hours in some cases. At the closing date, around 15 percent of Wacker Neuson employees were on short-time work.

The economic climate forced management to make some redundancies. Overall, we kept staff rationalization measures to an absolute minimum and made every effort to find socially responsible solutions. Staff rationalization was concentrated on production in countries without a viable short-time work arrangement and sales offices. On a more positive note, we managed to expand our global sales channels during the same period. In R&D, we succeeded in keeping redundancies to a minimum. As of December 31, 2009, the company employed a

total of 3,059 people (previous year: 3,665). These figures are calculated by converting the number of people working for the company into full-time jobs. They do not include temporary staff.

Through the combination of short-time work, lay-offs and temporary staff reductions, we succeeded in reducing manpower capacity as announced by over 20 percent over the course of the year under review.

Employees by sector

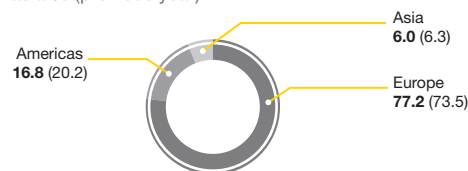
as a %

Management	1.3
Administration	9.0
Sales	22.3
Service	18.7
Logistics	7.7
Production	35.6
Other	5.3

Within the Wacker Neuson Group, 2,361 or 77.2 percent of all the employees were based in Europe as of the balance sheet date (previous year: 2,693). 513 were employed in the Americas region (previous year: 740), with 185 in the Asia region (previous year: 232). In Germany, headcount dropped to 1,533 in fiscal 2009 (previous year: 1,708), and the number employed in the US was 442 at the end of the year (previous year: 658). At year-end, personnel costs totaled EUR 170.5 million (previous year: EUR 191.5 million). One-off restructuring expenses in connection with staff rationalization amounted to EUR 9.6 million.

Headcount by region

as a % (previous year)



Skilled staff for strong performance

Qualified professional training gives young workers a good and appealing start in the working world at our production locations.

Number of employees (Group)¹ as of December 31, 2009

2009	2008	2007 ²	2006	2005 ³	2004
3,059	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 Weidemann acquisition

We provided intensive training for 146 young people in industrial or business posts or within the framework of practical training programs flanked by studies at technical or vocational colleges (previous year: 161). The student training quota for the Wacker Neuson Group over the last fiscal year was 6.1 percent worldwide (previous year: 5.6 percent). In 2009, 45 trainees completed their training (previous year: 39), with 28 of these offered positions in the company (previous year: 32), a takeup rate of 62 percent (previous year: 82 percent). In Manila, we continued to provide training in collaboration with the Don-Bosco institute. Here we are currently training 19 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 as a %

15–20	4.8
21–30	18.8
31–40	24.4
41–50	28.2
51–60	20.2
above 60	3.6

Training and voluntary benefits

The Wacker Neuson Group has always placed great importance on ongoing education and continues to do so, although we were obliged to cut back activities in this area in 2009 as a result of the economic crisis. In 2009, internal training and development measures focused on products, processes and sales. This strategy has paid dividends in previous times of crisis. The Wacker Neuson Academy ran a total of 129 courses during the year under review (previous year: 130). Around 1,780 employees from our company and from our customers attended these courses (previous year: 2,200). Our staff development expenditure over the last fiscal year totaled around EUR 0.43 million (previous year: EUR 0.8 million).

Also in 2009, we offered our employees in Germany numerous voluntary benefits, including the opportunity to participate in an employee-funded, insurance-based company pension plan. Depending on the location, we also support employees across the Group with grants and healthcare initiatives. As of December 31, 2009, Wacker Neuson SE had agreements on part-time work in place with 57 employees close to retirement age (previous year: 41).

In fiscal 2009, the company did not set up a new Employee Stock Purchase Plan (ESPP).

New remuneration system

In 2009, Wacker Neuson SE switched from the employers' association of the Bavarian electrical and metalworking industries, Bayerische Metall- und Elektroindustrie e.V. or VBM, to Bayerische Unternehmensverband Metall- und Elektro e.V. or BayME, which is not tied to collective bargaining agreements. This switch enabled us to conclude innovative internal collective agreements in 2009 that enabled us to meet our targets regarding working hours, flexible working arrangements and retirement benefits.

Most German locations of the mother company switched to the Entgelt-Rahmen-Abkommen (ERA, or Single Status Pay Agreement, which is a framework for reforming collective wage agreements abolishing the differentiation between workers and salaried employees) during the year under review. Weidemann GmbH is also converting to this new remuneration system.

Given applicability of short-time work

In the event that the market remains sluggish into the current fiscal year, the company has the flexibility of introducing or discontinuing short-time work at our production locations in Germany – for the present – until the end of 2010.

Human resources figures¹

	Dec. 31, 2009	Dec. 31, 2008
Part-time employees as a %	3.31	3.86
Number of trainees	146	161
Quota of trainees as a %	6.05	5.60
Expenses for personnel development in €	appr. 430,000	appr. 800,000
Average age in years	40.76	39.92
Number of men (proportion as a %)	2,005 (83.02)	2,374 (82.57)
Number of women (proportion as a %)	410 (16.98)	501 (17.43)
Number of years with the company	12.13	10.70
Fluctuation as a %	21.28 ²	15.34
Sickness rate as a %	2.81	2.78

¹ Figures only based on 75 percent of total workforce (previous year: 77 percent)

² Influenced by the market crisis as terminations for operational reasons are included.

Sales, customers and marketing

- Further expansion of sales networks
- Sales and training activities intensified during crisis
- Positive customer feedback on equipment portfolio

With over 30 affiliates worldwide and more than 180 sales and service stations, Wacker Neuson aligns its sales structures with local market dynamics. We have three distribution models – a direct sales channel to end customers and rental companies; a global dealer network; and a combination of both. In Europe, we mainly distribute directly to end customers and sales partners. Weidemann agricultural products and Kramer equipment, however, are sold via special dealer networks in Europe. In the US, the Group exclusively distributes Wacker Neuson products to rental firms and dealers. In Asia, we distribute to smaller construction companies, dealers and rental firms.

During the period under review, we successfully evolved national sales channels and – where necessary – adapted these to local market requirements in a number of countries

including France, Italy, Spain, Hungary, India and China. In the US, we are in the process of building up a network of dealers dedicated exclusively to distributing Wacker Neuson-branded compact and light equipment. During the year under review, we more than doubled the number of “Wacker Neuson dealers” in the US. During the fourth quarter of the period under review, we transferred sales and distribution activities for Wacker Neuson light equipment in Japan exclusively to the sales organization of the Yamabiko Group in order to increase our market reach there.

Our customer base in 2009 again comprised construction companies (public and private enterprises), gardening and landscaping firms, municipal bodies, companies from the industrial and agricultural sectors, professional rental firms and specialist dealers. We generated around 13 percent of worldwide revenue during the past fiscal year with our ten largest accounts. The construction companies and specialist dealers we dealt with were mainly smaller businesses. According to our own estimates, almost three quarters of these firms have a headcount of less than ten.

Individualized solutions and customer-centric strategy

Many of our customers and partners were reluctant to place orders last year due to the economic crisis. Through regular visits and personal communication, sales and marketing teams throughout the Group concentrated on providing customers with convincing proof of the quality and performance of our products and services. These teams focused on customer acquisition, promotional measures, attractive financing models via external service providers (offering zero financing, for example), promoting the rental business in Central and Eastern Europe and our maintenance and spare parts service. We maintained the same high levels of service quality, offering our customers individualized sales and service solutions tailored to their market needs.

We continued to launch compact equipment worldwide via our global sales and service network, bringing products tailored to markets and customer-specific needs to new markets. Especially in the US, a key market for us, we pressed ahead with our compact launch plans. Market uncertainties in Russia have led us to postpone our compact equipment launch there until the general situation improves.

We held various seminars in our Reichertshofen training center during the period under review. The program was geared to the company's sales and service teams as well as to customers looking for information on how to put our products and services to the best possible use and maximize process efficiencies.

The number of employees in sales and service worldwide dropped over the past year to 1,255 (previous year: 1,491). Sales and service expenditure fell 13.7 percent to EUR 135.1 million (previous year: EUR 156.5 million).

Deep-rooted support for our market positioning

During the period under review, Wacker Neuson once again actively engaged with internal and external stakeholders through its committed corporate communication activities and multi-faceted marketing program. We used all available communication channels, thus providing deep-rooted support for our market positioning. In particular, we concentrated on positioning Wacker Neuson and Kramer Allrad as premium brands with a high-quality range of light and compact equipment, flanked by a comprehensive service offering. We introduced a new corporate design and harmonized the colors of both brands to present a more uniform face to the market. The integration program initiated following the merger is now almost complete, despite trimming our marketing budget to EUR 8.2 million (previous year: EUR 14.5 million).

Focal points of our communication activities included press and investor relations, advertising, print collaterals, our website, and trade fairs and exhibitions, where we showcased innovations and product enhancements. In 2009, however, we did not attend several trade fairs and saved EUR 0.8 million as a result. Product presentations and smaller trade fairs proved successful in Switzerland, China, Austria, Poland, Turkey, the UK, Scandinavia, the US, and – for the first time – India. Events of this kind are crucial for Wacker Neuson as they enable visitors to discover the quality of our products first-hand. All of our trade fairs were a resounding success, drawing a steady stream of visitors and sparking very promising discussions with our customers.

Weidemann GmbH presented its product offering at different agricultural trade fairs in Europe, including Agritechnica in Germany. Customers reacted very positively to our extensive range of products and services under the Wacker Neuson and

Kramer Allrad brands. As the year progressed, we worked hard to prepare for bauma 2010, the largest construction equipment trade fair worldwide, which will be held in April 2010 in Munich.

IX. Risk report

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

Risk reporting requires that the company also outline its risk management system within the Group Management Report. Furthermore, the key steps involved in internal controlling and the risk management system in relation to the (consolidated) accounting process must be described in detail pursuant to Section 315 (2) No. 5 and Section 289 (5) of the HGB. Since internal controlling is an integral part of the overall risk management system, the Executive Board has decided to present both together. These disclosures are also explained in more detail – including in relation to the accounting process – as a precautionary measure pursuant to Section 175 (2) AktG in the version outlining modernization of German accounting rules (Bilanzrechtsmodernisierungsgesetz) although this regulation has since been overturned.

General

The Group-wide risk management system serves as an early-warning safety net that identifies, assesses and appropriately communicates risks and enables the Group to implement corresponding counteractive measures in good time. This calls for the reliable identification, evaluation and monitoring of all risks that may prevent this goal from being achieved. In fiscal 2009, 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 reports on all affiliates (which are regularly analyzed, discussed, evaluated and submitted to all decision-makers), 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 quantify-

ing potential risks, and the nature and procedures of the risk management system. It also assigns roles and responsibility for identifying, analyzing, monitoring and communicating risks. This allows us to derive suitable measures to actively counteract known risks. Every risk management system has certain limitations, however. The Group makes every effort to rule out incorrectly applied control mechanisms or similar irregularities. As such, the risk management system and internal controlling processes deployed in our company and described in detail in this report do not provide an absolute guarantee or warranty that all risks are always correctly identified and recorded in full and in good time.

Risk categorization

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

¹Risk 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 consults the affiliates and departments at Group headquarters to do so. Following completeness and plausibility checks, the data gathered is aggregated.

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.

We assess the risks using both quantitative and qualitative methods that are uniform throughout the Group, allowing comparison across the various business units. The risks are evaluated according to probability of occurrence and potential damages.

Risk probability as a %

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

Key features of internal controlling and our risk management system in relation to accounting plus related disclosures

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

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

- The individuals/units responsible for accounting are clearly defined at company and Group level. Responsibility has been vested in the accounting, controlling, auditing and treasury departments. Ultimate responsibility lies with the Board. Within accounting, we clearly differentiate between booking and auditing financial data.
- Employees involved in accounting are qualified to the highest standards.
- We have suitable systems and processes in place for planning, reporting and controlling as well as for risk management. These systems are implemented across the Group. Reports due on a quarterly or even monthly basis, including in accounting, enable the Group to respond quickly to unexpected negative developments.

- Procedural guidelines, such as the Group-wide accounting manual, rating guide and list of processes subject to second sign-off, are documented in writing and accessible at all times to all Group employees. These guidelines guarantee uniform handling of specific scenarios throughout the entire Group. We update them as required and align them with new circumstances and requirements.
- Proven standard software supports accounting functions, and all systems deployed are secured against unauthorized access from third parties.
- Line managers double-check sample bookings. Similarly, regular built-in electronic checks and plausibility checks help ensure data integrity. Effective controls (including second sign-off, analytical checks) are in place for all accounting processes (payment runs, for example).
- Accounting processes are also regularly checked by internal auditing.
- Various internal bodies (auditing department or the auditing committee of the Supervisory Board) review and rate the effectiveness of the internal controlling and risk management system in relation to accounting processes.

The aim of our internal controlling and risk management system in relation to accounting, as described above, is to ensure that all company dealings and circumstances are disclosed, calculated and evaluated correctly on the balance sheet, and correctly incorporated in the accounting system. This enables the Group to identify and – in most cases – avoid errors.

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

In particular, this framework ensures that business transactions are captured, processed and documented in the accounting systems of the company and Group in compliance with other statutory regulations, international accounting standards, the Articles of Incorporation and internal company guidelines, and

that these figures are rapidly and correctly recognized in the balance sheet. Our risk management strategy enables us to identify risks at an early stage, respond appropriately and communicate them in a fitting manner. At the same time, it ensures that assets and liabilities are correctly evaluated and disclosed in the Annual and Consolidated Financial Statements. This provides our stakeholders with reliable, meaningful and timely information.

Risks

As of December 31, 2009, 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, the industry, locations and countries)

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

As a result of the macroeconomic climate and construction industry trends, the Group is currently exposed to negative dynamics in its core markets. Given the global recession, the company notes a continued risk of weak demand. Moving into 2010 and beyond, sales of both light and compact equipment may remain at a low level until our customers' order patterns pick up substantially. We are counteracting this risk by adopting proactive go-to-market strategies and by stepping up our presence in growth segments and in dynamic markets such as Asia.

We regularly monitor our cost structure and investment program to assess at an early stage the potential impact of market trends on our profit, finances and assets. In addition to Group-wide cost-cutting measures and reduced investment activity, 2009 saw us trim manpower capacity in synch with the drop in revenue. Should the crisis continue and the measures implemented to date prove to be insufficient, we cannot rule out additional staff rationalization measures and further cost cuts, investment cuts included.

The company adapted production levels to falling demand for our products and has significantly reduced working capital. However, a continued downturn in revenue could lead to an increase in financing costs for working capital. Profit levels are at risk if the cost savings fail to keep pace with any further drops in revenue or if we are unable to reduce inventory in synch with any further drops in revenue.

Our core markets in the US and Europe have been severely affected by the sluggish economic and construction climates in both the residential and non-residential sectors (highway, underground and commercial construction projects). Governmental investment programs aimed at reviving the construction industry help to contain the impact on our business. Further downturn in the European and American construction industry, however, will most likely squeeze demand for Wacker Neuson Group products and services. We are counteracting this risk by adopting proactive go-to-market strategies, launching new products – particularly compact equipment – and expanding the Wacker Neuson dealer network.

There is also a risk of a continued downturn in the agricultural industry, and accompanying increasing dent in agricultural machinery spending. As a result, we introduced short-time work at our Weidemann GmbH affiliate on October 1, 2009, which ceased at the end of the year. Kramer-Werke GmbH's performance was also affected by the unfavorable market climate, as this affiliate manufactures products for agricultural machinery supplier CLAAS Global Sales GmbH. The Wacker Neuson Group is counteracting this risk by adopting proactive go-to-market strategies, managing inventory carefully and launching new products. In 2010 and beyond, we plan to introduce various products under our new Farm Mobility umbrella. To ensure the success of our Farm Mobility concept, we are working intensively across all locations to put the right implementation plan and sales structures in place.

The German, Austrian and Swiss markets accounted for a sizeable chunk of consolidated earnings. Business in these countries developed at a relatively stable rate, whereas other core markets were on steep downhill track. Unfavorable market dynamics in these three countries could have a negative impact or disproportionately high negative impact on consolidated earnings in 2010. We are countering this risk with proactive, flexible go-to-market strategies through our direct sales channels in Germany, Austria and Switzerland.

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

The international nature of our business means our company is exposed to a large variety of political, 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 that we lose market share. Price reductions could affect margins. We are counteracting this risk with attractive financing solutions, for example, and by strengthening our spare parts and service offerings.

Our market-leading products are being copied – in particular by Chinese manufacturers – and this can distort sales. We are minimizing this risk by enforcing our intellectual property rights more aggressively, while also expanding our international sales and service network.

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 a positive or negative impact on our unit sales and revenue, neither of which can be predicted at this stage. The Wacker Neuson Group is countering this risk through closer customer communication and by continuing to build its brands.

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 these risks by adapting our execution timing to current market dynamics, carefully examining all planned investments and possible risks, pursuing a lean project management policy and maintaining a high equity ratio.

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

We will remain true to our strategy in fiscal 2010. In the construction industry, we will establish our light and compact equipment offering under the Wacker Neuson brand and our compact offering under the Kramer Allrad brand. In addition, we will launch 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 and Kramer Allrad brands will not achieve the desired level of market penetration. We are minimizing this risk through intensive training for our sales teams.

The company has positioned itself worldwide as a provider of light and compact equipment. 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. 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, failure to evaluate risks accurately when acquiring another company may have a negative impact on Group business development and growth prospects.

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 CLAAS could end this partnership or reduce the number of orders. Kramer-Werke GmbH is countering this risk through a long-term contractual relationship with CLAAS and continual process and product quality enhancements.

The company has also identified a risk inherent in variations in customer and supplier structures from one country to another. Within an individual country, the loss of a major customer (due to insolvency or market consolidation, for instance) can have a serious impact on demand for products and services from the affiliate concerned. The risk of default is also a concern. In

addition, the loss of a supplier (due to insolvency, for instance) can threaten an affiliate's sales targets. The same applies to delivery delays on parts and attachments. We are minimizing these risks through proactive go-to-market strategies, special standard agreements securing delivery capabilities, supplier "health-checks", ongoing receivables monitoring and tools such as credit hedging.

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. Value was impaired at the closing date on December 31, 2009, due to the downturn in business, particularly in the compact equipment segment (please refer to the "Assets" section). From our current standpoint, we do not foresee further goodwill impairment in fiscal 2010. However, should the compact equipment segment in particular not develop as planned, write-downs on goodwill may also be necessary in 2010 based on the results of the impairment test.

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

Performance-related risks (risks associated with procurement, production, sales and R&D)

There is a risk that our company might not be able to achieve revenue and profit targets if individual distribution partners do not sell the expected volumes of our products. Wacker Neuson is constantly expanding its dealer network. Our aim is to have dealers distribute our entire portfolio – both in the construction and agricultural sectors. There is a risk that certain dealers may elect to only offer part of our portfolio and that existing dealers may switch to competitor products. We are countering this by maintaining close contact with our sales partners and addressing their individual needs with attractive offers.

The Group requires components and raw materials to manufacture its products – particularly steel, aluminum and copper. Our production uses structural steel components, precast parts, as well as hydraulic and chassis components containing varying amounts of crude steel. Due to the economic recession experienced in fiscal 2009, many suppliers cut back their production capacity. The Group could also lose certain

suppliers as a result of insolvency prompted by the recession. In the event of a more buoyant upswing than anticipated, there is also a risk that suppliers would not be able to keep pace or run into financing difficulties. This could lead to delays in our shipments. The company is countering this risk by maintaining close contact with our suppliers.

In addition, we rely on delivered 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 workflows and therefore to our shipments. We are addressing this risk with our quality management system, which also covers supplier relations.

In view of the unfavorable market conditions, we cannot exclude that certain customers may face financial difficulties, possibly culminating in insolvency. This would lead to a rise in accounts receivable and a subsequent increased risk of default. We are counteracting 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 bringing these to market in good time. Here it is essential to comply with existing and new national and international legislation and factor these guidelines into product development. If this does not continue to happen, our competitive position and growth opportunities may be impaired. The company's R&D 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.

The financial risks (risks associated with financial instruments, exchange rate and interest fluctuations, and financing) are explained in the notes to the Consolidated Financial Statements (in section 30).

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 reducing 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 on the one hand and, on the other, by drafting

contracts carefully and ensuring they are properly enforced. 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 expects the current dispute in the Supervisory Board to be resolved shortly. Should it be protracted over a longer period of time, however, we cannot exclude the possibility that it may compromise the Supervisory Board's ability to make decisions. This could negatively impact the company's operating activities.

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 lines of business. We are pursuing a strict project management policy to counter risks that can occur during the implementation of global IT systems as well as to prevent additional costs.

Increasingly strict regulations governing noise, environmental and user protection can entail additional costs for the Wacker Neuson Group. We are counteracting this risk by adjusting our price policy.

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

The recession may make it necessary for us to close and liquidate our own sales offices. There is a general risk here that the costs budgeted for closures may exceed estimates or that we run into delays. We are countering this risk with a focused and rapid execution policy.

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

Compared with fiscal 2009, the value of anticipated damages has dropped overall.

Viewed as a percentage of overall risk, our main risks lie in the performance, financial and economy and industry categories. Together, these three categories represent around 92 percent of total risk.

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 the company in the foreseeable future.

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

Distribution of risk¹
as a %

Risk category	Percentage share of total risk
Financial risks	49.5
Environment and industry risks	32.2
Performance-related risks	9.9
Other risks	3.8
Strategic business risks	3.4
Legal risks	1.2

¹ Differences attributable to rounding

X. 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 176 (1) Sentence 1 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 176 (1) Sentence 1 of the AktG, the Executive Board must submit a report containing this information to the AGM. The following contains a summary of the information pursuant to Section 315 (4) and Section 289 (4) of the HGB as well as the corresponding explanatory comments pursuant to Section 176 (1) Sentence 1 of the AktG.

Composition of subscribed capital

At December 31, 2009, 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 Neuson SE. There is only one type of share; all shares are vested with the same rights and obligations as outlined in detail in particular under Sections 12, 53a, 188 ff and 186 of the AktG. 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. If shares are transferred

to any such persons, they must join the pool agreement. If shares are transferred to third parties, either for a fee or free of charge, the other pool members have the right to acquire these shares. If the shares are to be sold to third parties off the stock exchange, all of the other pool members have a preferential purchase right. If a pool member intends to transfer shares in such a way that more than 50 percent of voting rights in Wacker Neuson SE would be held by third parties who do not satisfy the criteria defining those individuals to whom transfers can be freely made, the remaining pool members have the right to also sell their shares. If a pool member is excluded from the pool for good reason, the other pool members have a right to acquire the shares or a preferential purchase right. This also applies if a pool member ceases to qualify as a pool member.

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

Some of the Wacker 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, 2009:

as a % at Dec. 31, 2009	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%	57.80%	63.09%
Wacker-Werke GmbH & Co. KG	27.79%	35.31%	63.09%
Interwac Holding AG	0.00%	63.09%	63.09%
VGC Invest GmbH	5.06%	63.09%	68.15%
Christian Wacker	0.74%	63.09%	63.84%
Dr. Ulrich Wacker	0.00%	68.15%	68.15%
Andreas Wacker	0.74%	63.09%	63.84%
Barbara von Schoeler	0.26%	63.09%	63.35%
Petra Martin	0.00%	63.09%	63.09%
Dr. Andrea Steinle	0.00%	63.09%	63.09%
Ralph Wacker	0.74%	63.09%	63.84%
Susanne Wacker-Waldmann	0.74%	63.09%	63.84%
Benedikt von Schoeler	0.00%	63.09%	63.09%
Jennifer von Schoeler	0.00%	63.09%	63.09%
Leonard von Schoeler	0.00%	63.09%	63.09%
Vicky Schlagböhmer	0.01%	63.09%	63.09%
Christiane Wacker	0.00%	63.09%	63.09%
Georg Wacker	0.00%	63.09%	63.09%
Baufortschritt – Ingenieurgesellschaft mbH	0.00%	63.09%	63.09%
PIN Privatstiftung	0.00001%	63.09%	63.09%
NEUSON Industries GmbH	0.00001%	63.09%	63.09%
Johann Neunteufel	0.00001%	63.09%	63.09%
NEUSON Ecotec GmbH	29.01%	34.08%	63.09%
Martin Lehner	0.46%	62.76%	63.22%
Adolf Lehner	0.33%	62.76%	63.09%
Herta Lehner	0.33%	62.76%	63.09%

¹ Votes bound through the pool agreement (see page 85) are added together. The figures are rounded to two decimal places.

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. The Executive Board of Wacker Neuson SE must have at least two board members according to Article 6 (1) of the Articles of Incorporation of Wacker Neuson SE. The Supervisory Board otherwise determines the number of Executive Board members (Article 6 (2) Sentence 1 of the Articles of Incorporation). The Supervisory Board is responsible for appointing and dismissing Executive Board members; a simple majority of votes cast suffices for these decisions. In the event of a tie, the Supervisory Board Chairman shall have the casting vote or – if the Chairman did not participate in the vote – the casting vote shall pass to the Deputy Chairman. Executive Board members shall be appointed for a maximum term of six years (Section 9 (1) and Section 39 (2) and Section 46 of the regulation on the charter of an SE, Section 84 and 85 of the AktG, Article 6 (2) Sentence 1 of the Articles of Incorporation). The Supervisory Board can appoint a Chairman of the Executive Board, a Deputy Chairman of the Executive Board and a Spokesperson for the Executive Board (Article 6 (2) Sentence 2 of the Articles of Incorporation). The Supervisory Board has appointed a Chairman and a Deputy Chairman of the Executive Board.

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).

Under the charter of a European company (Societas Europaea or SE) such as Wacker Neuson SE, all decisions affecting the Articles of Incorporation must be approved with a majority of at least two thirds of the votes cast, unless the legislation of the state where the SE is based mandates or allows a larger majority to apply (Section 59 (1) of the regulation on the charter of an SE). Each member state is free, however, to rule that a simple majority of votes cast suffices, provided at least half of the subscribed capital is represented (Section 59 (2) of the regula-

tion on the charter of an SE). German legislation has instituted this option in Section 51 (1) of the law governing implementation of the SE in Germany. This does not apply to changes relating to the object/purpose of the company or relocation of the company seat. Similarly, it does not apply to instances where the law mandates that the votes cast must represent a higher percentage of the subscribed capital (Section 51 (2) of the law governing implementation of the SE in Germany). Accordingly, Article 21 (1) of the Articles of Incorporation states that unless otherwise stipulated by law, changes to the Articles of Incorporation require a two-thirds majority of the votes cast or – if at least half of the share capital is represented – a simple majority of votes cast.

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

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

Treasury shares

By way of a resolution by the AGM on May 28, 2009, 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 November 27, 2010. 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 with Section 8 (3) of the AktG (Section 237 (3) No. 3 of the AktG). The Executive Board is authorized to change the number of shares in the Articles of Incorporation accordingly.

The Executive Board is authorized, with the approval of the Supervisory Board, to use shares in the company that were acquired as a result of the above authorization as (partial) compensation as part of mergers or to acquire companies, participating interests in companies or parts of companies. The acquired treasury shares may also be sold to Executive Board members and 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 sold according to the above authorizations.

Authorized Capital I

According to Article 3 (3) of the Articles of Incorporation, 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 if they were 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, the Executive Board is still 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 contributions in kind, 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 2 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 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 WertpapierÜbernahmegesetz (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 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.

Concluding remark

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

XI. Declaration on corporate governance according to Section 289a HGB

On March 25, 2010, the Executive Board of Wacker Neuson SE issued a corporate governance declaration pursuant to Section 289a of the German Commercial Code (HGB). This can be downloaded from the Wacker Neuson SE website at www.wackerneuson.com/declaration-on-corporategovernance. This declaration is also included in the Wacker Neuson SE 2009 annual report (page 26).

XII. 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 inclusive by way of a resolution by the AGM on May 15, 2006.

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

The Executive Board's remuneration comprises:

- A fixed annual basic salary
- A variable annual salary
- 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 the financing of shares in the company 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 60, 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 health 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 60 unless the employment relationship with the company was terminated for good cause that is the fault of the Executive Board member. In addition, an invalidity pension is paid in the event of disability or professional incapacity, and a widow's and orphans' pension is paid in the event of death. Other remuneration may have to offset again these amounts payable.

Information on the Supervisory Board

According to Article 14 of 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 1½ 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 1½ 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.

XIII. Supplementary report

Events/transactions of particular importance since the reporting date

Wacker Neuson SE affiliate Wacker Neuson Linz GmbH, based in Linz-Leonding (Austria), purchased an approximately 160,000 m² tract of land in the district of Hörsching (Linz, Austria) on March 12, 2009. Following a small down-payment on the purchase price in 2009, the company paid the main amount of EUR 8.5 million (total purchase price: EUR 9.3 million) on January 20, 2010, upon entry in the land register.

The revival in demand for light and compact equipment evident at the end of 2009 continued into the first weeks of 2010, in particular in the US. A harsh winter hampered our customers'

construction activities in large parts of Europe and the US, however.

January 1, 2010, saw the Group start its launch program for compact equipment in Sweden.

There have been no other significant events since the reporting date that could have an impact on the future business development of the Group.

Impact on profit, finances and assets

Postponing payment of the purchase price for the plot of land in Hörsching into 2010 has increased scheduled investments for 2010 by the above-mentioned amount.

There have been no other events that would have had a significant impact on profit, finance and assets.

XIV. Opportunities and outlook

Overall economic outlook

- End of the recession cannot yet be predicted
- Renewed low-level growth in global economy expected
- Governments shore up national economies

The global economy continues to be hit by the strongest recession since the Second World War. Economic experts, however, anticipate a slight recovery in 2010, albeit at a low rate of growth. Following a drop of 1.1 percent in the past year, real global gross domestic product (GDP) is set to rise by 3.1 percent in 2010. Experts currently predict a rise of 2.6 percent for 2011. World trade volume is expected to increase moderately during the current fiscal year. However, stringent bank lending policies, overall underutilization of capacity and increasing labor market difficulties remain key dampeners.

GDP

Real change from previous year as a %	2011*	2010*
World	2.6	3.1
USA	0.3	1.9
Canada	1.0	2.2
Latin America	2.8	3.1
Japan	0.9	1.0
Asia	4.7	4.8
Western and Central Europe	0.9	1.0
Russia	1.5	1.5
Germany	1.2	1.7

Source: OECD, IWF, ifo

Economic experts remain optimistic that investment in residential construction in the US, private consumption and exports will rise significantly in 2010 – a development that would drive US imports and subsequently trigger an economic upturn in the rest of the world.

The Asian economy is forecast to remain stable, although a slight downturn is expected due to tapering exports in the Far East and China. Annual growth for the Asia region is forecast at 4.8 percent for 2010. China intends to implement a number of measures including infrastructure expansion. In India and emerging Asian economies, growth is expected to slow down.

Prospects for economic recovery over the current fiscal year are good in almost all EU states. Experts predict GDP for Western and Eastern Europe to improve slightly. However, stringent lending policies will continue to dampen companies' propensity to invest. Growth is also forecast for the Middle East and Africa.

Experts predict a 1.7 percent rise in GDP for Germany. However, the crisis is expected to squeeze the revenue and profit of many companies, which will compound the credit crunch. The number of insolvencies may also rise. According to economic institutes, a great deal of work still has to be done by politicians and the financial community to put the overall economy back on the path to sustainable recovery. The main risk here is that interest rates and prices will rise too quickly.

Overall, current trends indicate that the global economy is slowly making its way out of the financial and economic crisis, fueled by dynamic developments in countries such as India and China.

Outlook for construction and agricultural industries

- Delayed recovery for construction industry
- High demand worldwide for construction work
- Positive outlook for agricultural industry from mid-2010 on

Although the overall economy is showing isolated signs of recovery, prospects for the construction industry in 2010 remain downbeat, although significantly more promising than for 2009. Numerous infrastructural investments are pending worldwide, including road, rail, transport and telecommunications projects. Government schemes aimed at promoting infrastructure and public education projects, which were not fully exploited by the industry in 2009, may also provide further impetus here.

If the American construction industry is to recover, the property market must stabilize. According to the Association of Equipment Manufacturers (AEM), investment in private construction is initially set to increase by 5.1 percent in 2010, fueled by a backlog of projects. However, the AEM expects non-residential construction to drop by 12.3 percent in 2010. Experts predict a 7.1 percent decline in this segment in North America for the current fiscal year (2009: -13.0 percent). This situation is not expected to improve until 2011 when investment is set to grow by 8.0 percent. Economic action plans initiated by the US government to the tune of USD 800 billion may have a positive impact on product sales in 2010. These action plans are specifically targeted at infrastructure weak points as demand for bridge and road construction projects, for example, remains high. In Latin America, the AEM forecasts that the construction industry as a whole will experience growth in 2010 – namely 3.4 percent.

Asia is set to see construction investment rise by 6.4 percent in the current fiscal year, primarily due to Asian countries investing in infrastructure improvements and expansions. In India, construction industry revenue is expected to quadruple to USD 13 billion by 2015, due to increased demand for equipment to support planned infrastructure projects.

AEM experts forecast further losses for the European construction industry, including a drop of 2.3 percent for Western Europe, and -1.3 percent for Eastern Europe. These are moderate falls, however, compared to the drastic decline of 2009. Vital infrastructure projects aimed at improving road and rail networks, telecommunication services, water supplies, general

renovation and modernization works, construction of public education buildings, as well as climate and environmental protection measures are expected to provide positive impetus. The outlook for the non-residential construction market in Western Europe is also more upbeat with a drop of 1.1 percent forecast for 2010 and a rise of 2.9 percent for 2011, fuelled by companies making investments that had been put on hold in previous years. Experts predict that the non-residential construction market in Eastern Europe will remain stable throughout 2010 and grow by 4.6 percent in 2011. The negative trend on the European housing market will continue in the current fiscal year. Experts predict an end to the crisis in the European housing market in 2011 at the earliest.

Construction investment in Germany is expected to be just 0.8 percent up on the previous year's level. Investment in residential construction is expected to increase by 0.6 percent. The economic action plan initiated by the German government could help revive construction activities. Projects to improve municipal infrastructure, extend and reconstruct highways and modernize telecommunications and rail networks may also provide impetus. The European research and consultation network, Euroconstruct, predicts 3.9 percent growth in underground construction in Germany during 2010, followed, however, by a 2.4 percent drop in 2011. Non-residential construction is predicted to fall slightly by 1.5 percent in 2010 and 2011. The outlook for the renovation and modernization sectors is moderately positive up to 2011.

The German Engineering Federation (VDMA) predicts that the crisis has bottomed out for equipment manufacturers. An upturn in order intake was evident towards the end of 2009, due, on the one hand, to an increase in absolute terms and, on the other, to the statistical effect of the year-on-year comparison.

Structural shift in the agricultural industry

The experts' mid-term outlook for the agricultural industry is positive, as agriculture is subject to different economic cycles. However, since the effects of the recession were not acutely felt here until the end of 2009, experts now do not expect to see signs of recovery before the second half of 2010 at the earliest.

Nevertheless, VDMA experts remain positive about the future. Solid growth rates over the last five years have enabled the German agricultural machinery industry to consolidate and expand its position in the international arena. The Executive Board also feels optimistic on the back of feedback from Agritechnica, the world's largest agricultural machinery exhibi-

tion, held in November 2009. Global Insight expects livestock production in Western Europe's agricultural sector to increase by 4.5 percent and wheat and cereal production for the region to drop only slightly in 2010.

The agricultural industry is gaining in economic importance in various countries as the demand for food and alternative fuels increases. This is fuelling demand for agricultural machinery, particularly in Eastern European markets, where technological advances are increasing profitability among agricultural producers. Global Insight is therefore optimistic that these countries will see agricultural production remain buoyant in 2010. According to experts, the outlook for growth in Australia, in particular for wheat production, is also good as the country expects larger harvests following a spate of dry periods.

VDMA expects the current structural shift to continue, with the number of agricultural holdings decreasing and the size of remaining holdings increasing. 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 future development of the Wacker Neuson Group

- Efficient business model
- Leveraging mid- and long-term growth opportunities
- Business expected to improve in 2010

The Wacker Neuson Group is adhering to its long-term growth strategy. Our business model places us in a healthy position. We also took significant steps toward achieving our goals during the difficult times of 2009. We intend to remain on this path, continuing to invest in profitable projects and drive growth across all regions and business segments.

First signs of growth

Following last year's dramatic downturn, the global economy is stabilizing at a low level, and the first signs of recovery are spilling over to our industry. Yet we cannot expect to see sustainable growth until trust in the economy has been reestablished – and a lot of work still needs to be done to achieve this. We will align our business strategy for 2010 accordingly and are all-in-all cautiously optimistic. Securing our extremely

healthy finance and asset status remains a top priority. We also remain committed to aligning our organizational structures and processes with market dynamics and customer needs. In addition, we are focusing on further developing our sales and service network as well as consolidating our position as a global leader.

Development outlook by region

Against the backdrop of the recession in the construction industry in 2009, we expect the business climate in Europe to stabilize at a low level in 2010 and competition to increase. We regard Eastern Europe as a promising growth market for the construction industry, due on the one hand to EU subsidies and, on the other, to public funds aimed at bolstering infrastructure (road, rail and telecommunications networks). We also identify potential in our strategy to launch 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.

After more than two years of recession, we anticipate a slight upturn in the Americas region – albeit at a low level and primarily in the US. Initial positive signs evident at the start of the current fiscal year give us every reason to be optimistic here. We are currently launching our compact equipment portfolio in the US and building up a network of exclusive Wacker Neuson dealers. The Group's mid- to long-term strategy is to increase production capacity for compact equipment in the US.

In the Asia region, we want to build on the positive development of previous years, placing particular emphasis on expanding our sales networks in China and India in order to strengthen our position as a provider of high-quality products and services. However, it still remains to be seen whether the global downturn will have a stronger impact on the Asia-Pacific region than experienced thus far. We continue to identify positive market trends in infrastructure, especially regarding repair and modernization activities in urban regions.

At the start of 2010, the Wacker Neuson Group decided to transfer the sale and distribution of products in Finland and New Zealand from its own affiliates to trusted local dealers. The resulting reorganization and closure of both affiliates shall be completed during the course of 2010. The Irish and Japanese affiliates are also in liquidation.

The Group has decided to terminate production of the Weidemann telehandler T 5625 at the Gotha production plant in 2010. This move comes as part of a model changeover. The new model will be manufactured at Group affiliate Kramer Werke GmbH in Pfullendorf (Germany) and will enable us to leverage cost and know-how synergies in telehandler production. The production plant in Gotha is set to become a European used equipment center and a repairs hub for all Group-brand products.

Development outlook by business segment

The Wacker Neuson Group's aim for fiscal 2010 and beyond is to consolidate its leading market position. We will be focusing strongly on changes in customer needs, and developing product and service offerings tailored to market dynamics. We will be unveiling numerous high-quality, innovative products and product variants at *bauma* 2010, the world's largest construction trade fair, in Munich in April 2010, and launching this equipment after the trade fair.

Taking a long-term view, opportunities in the construction industry will arise from climate change as this will increase the 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 local proximity to customers in key target markets place us in a prime competitive position. The renowned quality of our products and services give us added confidence in our ability to continue expanding our leading global position in the medium to long term.

Our experience shows that although sales of compact and light equipment drop more sharply than those of heavy construction equipment (which is not part of our offering) during economic downturns, they also increase more rapidly during periods of economic growth. Light equipment has usually tended to be an early mover within these economic cycles, a trend from which we stand to benefit once the economy picks up again.

The services business segment continues to develop positively. We remain committed to consolidating our rental business in Central and Eastern Europe as well as expanding our sales and service network, aligning our offering to prevailing market dynamics and customer needs. We aim to place particular focus on developing our service portfolio in the spare parts and repairs business to reflect evolving customer requirements. From our standpoint, the rental business in Germany is set to remain stable. In the medium term, we expect sales in the traditional repairs and spare parts business to increase further as products are being used for longer periods due to reduced investments in 2008 and 2009. We plan to increase spare parts prices on April 1, 2010.

The agricultural sector is continuing to move toward larger holdings in Europe. This is fuelling a rise in rationalization investments, flanked by EU agricultural subsidies. We intend to capitalize on the new opportunities this is opening up for agricultural products under our Weidemann brand over the coming years.

This is one of the driving forces behind our Farm Mobility concept. As of 2010, this concept will see us adapting proven compact equipment from the construction industry to further expand our footprint in the agricultural sector. Here we intend to gradually expand the existing range of articulated wheel loaders and telehandlers to include Wacker Neuson-made skid steer loaders and dumpers as well as all-wheel drive wheel loaders from Kramer-Werke GmbH. This last product group will be adapted to meet the needs of the agricultural market. We will also offer a wide range of attachments. The products will be red, and distributed, for example, to agricultural holdings and municipal bodies under the Weidemann brand. The program will enable Weidemann GmbH to provide the right vehicle and the right attachment for its customers' agricultural needs.

Group forecast

Capitalizing on medium and long-term opportunities

In our view, prospects for the Wacker Neuson Group are good. In the medium term, we expect the investment deadlock to clear. This particularly applies to light equipment as the need for replacements intensifies. The company is set to profit in the medium and long term from major demand worldwide for infrastructure projects.

Single-digit revenue growth expected for 2010

At present, we expect our markets to stabilize at a low level in the first half of 2010 and construction markets worldwide to pick up during the second half of the year. The Executive Board also expects positive impetus during the current fiscal year from an investment backlog plus extensive economic stimulus packages, primarily in the US. We are therefore cautiously optimistic about 2010 as a whole. We are well prepared for a possible upturn in business and, with a break-even level of around EUR 600 million, expect revenue for 2010 to be up by at least 5 percent on figures for 2009. We expect profit before interest, tax, depreciation and amortization (EBITDA) to rise and are looking to return to the profit zone at operative level. Our performance may be curbed, however, if our suppliers have difficulty meeting orders, despite the proactive measures we have taken to counter this.

If, however, contrary to expectation, global construction markets continue to contract, especially on the back of the harsh winter in Europe, we are equally prepared to deal with that eventuality. This trend would further fuel competition in our markets and negatively impact customer order patterns.

Securing our strong finance and asset status is one of our key objectives in the current fiscal year. We intend to invest around EUR 70.0 million (2009: EUR 43.4 million) in projects such as completion of our research and development center and headquarters in Munich, maintenance work on other Group buildings and the expansion of our rental business in Central and Eastern Europe. Since investments for 2010 will exceed write-offs, we are expecting a negative free cash flow. We will be using available liquid funds to cover this shortfall. We do not intend to draw significantly on external financing options.

Planned investments (extract)

in € million	2010
Expansion of rental business in Central and Eastern Europe	17.0
Purchase of land in Hörsching (Linz, Austria)	9.3
Construction of new R&D center and headquarters in Munich	15.0
Investments for improving production processes	7.5
Expansion of sales and service stations	10.0

To streamline and synchronize processes in the Wacker Neuson Group, we will be increasing our efforts to bundle Group-wide activities such as finance and accounting, IT, human resources and marketing. No further significant changes to the legal or organizational structure of the Group are planned for the fiscal year.

The Wacker Neuson Group is financially stable, showing liquidity of EUR 85.0 million and an equity ratio of 81.5 percent. We again aim to finance day-to-day operations in the current fiscal year with operative cash flow. During the course of the year, our net positive balance will again be converted into a low net financial debt as planned. The Group is increasing inventory levels somewhat to ensure products can be delivered should markets pick up more rapidly than expected. If there are no signs of demand increasing by mid-2010, this stock will be cut back by the end of the year. We are maintaining regular contact with our business partners and suppliers in order to jointly develop forward-looking solutions that reflect the current difficult market dynamics but nonetheless anticipate the prospective upturn.

We will continue to keep a tight rein on costs, but do not at present intend to implement further staff rationalization measures. Based on our current position, employee headcount across the Group is not set to change significantly but will develop in line with order intake. If necessary, we will continue to take advantage of flexible work arrangements and short-time work schemes as available. Our highly qualified pool of employees means we are in a position to respond to an upturn in demand to a certain extent without having to incur significant additional costs.

Although our current product portfolio is already future-proof, we are also launching new products with a view to winning new customer segments. At the world's largest construction equipment trade fair, bauma, in April 2010, we will be launching an unprecedented number of new products. The event will also serve as an economic gauge for the industry. In addition to developing new products, our R&D efforts will be focused on compliance with more stringent environmental regulations governing combustion engine emissions.

Acquisitions and partnerships will continue to be part of our medium-term strategy insofar as these strengthen our product offering and provide added value to our customers or enable us to enhance our international footprint.

Summary forecast

Due to unfavorable market dynamics, we expect fiscal years 2010 and 2011 to continue to be shaped by the economic crisis. Yet we also predict that the backlog of investments will slowly start to clear from mid-2010 onward. An increase in construction activity will fuel demand for construction equipment in the second half of 2010 – a trend that will become even more pronounced in 2011, provided the global economy remains on a path to long-term recovery. We expect companies to increasingly invest in new light equipment as the reluctance to purchase new products in this segment over the last two years has resulted, in some cases, in equipment being used for longer than usual, especially in the US. Our high-quality product portfolio and service offering will remain in demand and we intend to expand both areas in line with market dynamics over the coming two years. Over this period, we also intend to consolidate and expand our leading market position to ensure we emerge from the current crisis in a strong, healthy position.

Based on a current break-even point of EUR 600 million, we expect revenue for 2010 to be up by at least 5 percent in comparison with 2009. At the same time, we also anticipate a rise in profit before interest, tax, depreciation and amortization (EBITDA) and a return to the profit zone at an operative level.

Should the global economy recover as expected, thus fueling an upturn in demand, we expect to see a low, two-digit increase in revenue in 2011 as well as a further improvement in earnings. Our financial position is already very healthy with an equity ratio of 81.5 percent and liquidity of EUR 85.0 million. We intend to maintain this strong finance and asset status in the coming two years.

Munich, March 25, 2010

Wacker Neuson SE

The Executive Board

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

Martin Lehner
(Deputy CEO)

Richard Mayer

Günther C. Binder

Werner Schwind