

## Report by the Supervisory Board



Hans Neunteufel  
Chairman

### **Dear Ladies and Gentlemen,**

Like most companies, the Wacker Neuson Group could not escape the effects of the global economic crisis in 2009 and we showed an operating loss for the first time in company history. We outperformed our peers, however, retaining our strong financial position and getting ready for the prospect of an economic upswing. We would like to thank our people in particular for this achievement. Their dedication and active willingness to assume responsibility was a great support to company management over the year.

During the year under review, the company's name was officially changed from Wacker Construction Equipment AG to Wacker Neuson SE. This report is thus simultaneously a report from the (former) Wacker Construction Equipment AG Supervisory Board.

### **Cooperation between Supervisory and Executive Boards**

In the period under review, the Supervisory Board performed the tasks assigned to it by law and the Articles of Incorporation and verified that the company was governed soundly by the Executive Board. Furthermore, the Supervisory Board regularly advised the Executive Board on the management of the company and supervised management activities. It maintained continuous dialog with the Executive Board regarding business development and corporate strategy and was directly involved in all major decisions regarding the company.

During the period under review, there were at times differences of opinion within the Supervisory Board and Executive Board as well as between the Supervisory Board and Executive Board. These resulted in a number of legal disputes which have in the meantime been resolved by mutual agreement.

In the run-up to and during its meetings, the Supervisory Board was brought up to date on business developments, changes in assets/liabilities, profit and finances, fundamental issues regarding company planning, company strategy and other key measures by means of written and verbal reports from the Executive Board. In one such case, the Supervisory Board adopted a circular resolution to exercise certain balance sheet exemptions for an affiliate and thus invoke the company's obligation to carry the associated loss. The reports to the Supervisory Board were discussed in depth during Supervisory Board meetings amongst Supervisory Board members and with the Executive Board.

Members of the Executive Board regularly took part in Supervisory Board meetings. When necessary, the committees also convened without the Executive Board. Once again, all Supervisory Board members attended more than half of the Supervisory Board Meetings in fiscal 2009. Furthermore, the Executive Board provided the Supervisory Board with regular, comprehensive and timely information between meetings about current business trends as well as special or urgent projects. This information was made available in writing and also in person. Where necessary, the Executive Board requested approval from the Supervisory Board for suggested courses of action. Together with the Executive Board, the Supervisory Board discussed and examined in detail proposals that required Supervisory Board ratification. The Supervisory Board voted on resolutions of this kind during scheduled meetings. In addition, the Executive Board submitted monthly reports on key financial and economic figures. In instances where the Executive Board, or the CEO in particular, was not in direct communication with the Chairman of the Supervisory Board, the Chairman of the Supervisory Board maintained regular contact with the Executive Board, ensuring a continuous flow of information regarding the current business and financial situation of the company and its holdings as well as major business transactions.

#### **Main topics of Supervisory Board and committee meetings in fiscal 2009**

Twelve plenary meetings of the Supervisory Board were held in fiscal 2009. The Presiding Committee and Audit Committee met three times respectively. One of these meetings was held jointly by the full Supervisory Board and Audit Committee.

The Supervisory Board was regularly involved in the day-to-day business of the Wacker Neuson Group and planning activities at Executive level. Discussions focused in particular on the global economic downturn and its impact on the business performance and organizational structures of the company and of the Group. Particular emphasis was placed on the analysis and discussion of Wacker Neuson's financial situation as well as the development of sales, costs and earnings. During the relevant meetings, any questions from the Supervisory Board that arose in connection with the regular written and verbal reports were answered in full by the Executive Board. In addition to these regular reports, the Supervisory Board concentrated its advice and auditing activities on the following matters in particular during their meetings:

During the meeting on February 11, 2009, its last formal meeting, the Supervisory Board of former Wacker Construction Equipment AG focused on the preliminary financial figures for the preceding fiscal year, the influence of the economic downturn on the Executive Board's planning, and possible strategic sales collaborations.

On the same day, the constituent meeting of Wacker Neuson SE's Supervisory Board took place. During this meeting, the Chairman and Deputy Chairman of the Supervisory Board were appointed, committees were formed and chairpersons assigned. The former members of the Wacker Construction Equipment AG Supervisory Board were all appointed to the Wacker Neuson SE Supervisory Board. The rules of procedure for the Executive and Supervisory Boards of Wacker Neuson SE were also ratified at this meeting and the members of the Wacker Construction Equipment AG Executive Board were formally appointed to the Wacker Neuson SE Executive Board.

Following appropriate preparations by the Audit Committee, the Supervisory Board focused on the Annual Financial Statements, the Consolidated Financial Statements, the Management Reports for (the former) Wacker Construction Equipment AG and the Group, as well as related party disclosures for fiscal 2008 in the Supervisory Board meeting to approve the financial statements on March 23, 2009. In addition to the regular examinations performed in the run-up to this meeting, Supervisory Board members also raised numerous questions with the auditing company representative present at the meeting and discussed these issues in detail with him. The Supervisory Board also ratified the AGM agenda and the declaration of compliance with the German Corporate Governance Code at this meeting. In addition, they approved a loan to fund the purchase of a tract of land in Austria, as well as other plans to secure Group liquidity.

At the meeting on May 7, 2009, the agenda covered the interim report for Q1, possible structural changes to the Group, the introduction of a new Group-wide accounting software application and, above all, possible cost-efficiency measures for the parent company and the Group. The Supervisory Board also agreed to the liquidation of the Equipro affiliate in the US during this meeting.

The June 22 and September 14, 2009 meetings discussed topics related to sales – in particular, possible strategic partnerships and Executive Board matters.

During their meetings on July 30 and August 6, 2009, the Supervisory Board focused mainly on business development in the face of the global economic recession, including the measures initiated by the Executive Board to combat the downturn and the pending publication of the half-year report. At the July 30 meeting, further expansion of business activities in the agricultural sector was agreed upon.

Some differences of opinion arose during the Supervisory Board meeting on September 30, 2009. These differences have now been resolved by mutual agreement with the effect of establishing the fact that Mr. Hans Neunteufel will retain his position as Chairman of the Supervisory Board for the company.

The meeting of November 4, 2009 focused mainly on possible structural changes to the Group and the interim report for Q3.

During its meeting on December 11, 2009, the Supervisory Board examined the Executive Board's business plan for fiscal 2010. Board members not only assessed the plan, but also discussed the associated opportunities and risks in detail with the Executive Board against the backdrop of the slight signs of economic recovery. It was also agreed at this meeting that the planned closure of affiliates in New Zealand and Finland should go ahead.

The Supervisory Board also examined each of the Executive Board's monthly reports. During numerous meetings, it addressed in detail various possible acquisition and collaboration projects, aimed at expanding the product portfolio of the Group, for example, and further developing the Group's general sales strategy.

#### **Changes in the composition of the executive bodies**

On January 14, 2009, the Executive Board of the former Wacker Construction Equipment AG together with a special committee of 23 European employee representatives signed an agreement outlining employee participation in the future Wacker Neuson SE Supervisory Board as part of the move to change the company's legal form to an SE. The employee representatives from the Wacker Construction Equipment AG Supervisory Board were confirmed as the employee representatives for the Wacker Neuson SE Supervisory Board. During the constituent meeting of Wacker Neuson SE's Supervisory Board, the previous members of the Wacker Construction Equipment AG Executive Board were appointed to the Wacker Neuson SE Executive Board for the term of office outstanding at Wacker Construction Equipment AG. There was no change to the position of CEO – this was retained by Dr.-Ing. Georg Sick, and Mr. Martin Lehner remained Deputy CEO.

During the period under review, there were therefore no changes to the composition of the Supervisory and Executive Boards.

**Work performed by the Supervisory Board committees in fiscal 2009**

The two Supervisory Board committees (the Presiding and Audit Committees) also continued their work during the period under review, thus helping the entire Supervisory Board to work more efficiently.

During the March 23, 2009 meeting, the Audit Committee prepared the Supervisory Board's resolution on the adoption of the Annual Financial Statements and the Consolidated Financial Statements for the year ending December 31, 2008. The Committee also contemplated a suitable auditor and submitted a recommendation in that regard at the Supervisory Board plenary meeting. The Supervisory Board, in turn, followed this recommendation and proposed the same auditor at the AGM. At the November 4, 2009 meeting and during the Supervisory Board meetings on May 7 and August 6, 2009, the Audit Committee primarily dealt with publication of the forthcoming interim financial report. The Presiding Committee dealt with general matters regarding the Executive Board and human resources during its three meetings. The chairmen of the committees reported on the work performed by the committees during the Supervisory Board's plenary meetings.

**Risk assessment and compliance**

The Supervisory Board is satisfied that the company's risk management policy meets the requirements set down in the German law on control and transparency in business (KonTraG), insurable risks are sufficiently insured and operational, financial and contractual risks are sufficiently controlled by approval procedures and organizational processes. A detailed risk reporting system is in place throughout the Group and it is continuously maintained and further developed. The risk management system was also examined by the duly appointed auditing company, which confirmed that the Executive Board had met the requirements outlined under Section 91 (2) of the German Stock Corporation Law (AktG) and established a suitable early warning system capable of monitoring and identifying developments that could pose a threat to the company's continued existence as a going concern. During Supervisory Board meetings and personal conversations, the Executive Board informed the Supervisory Board of the current risk situation. The Supervisory and Executive Boards discussed all areas deemed to be risks during these sessions. In addition, the Audit Committee addressed compliance issues.

### **Corporate Governance**

Both the Supervisory and Executive Boards are aware that good corporate governance is essential to protect shareholder interests and secure the company's long-term success. The Supervisory Board continuously monitored the further development of the German Corporate Governance Code and kept up to date with the capital market and corporate legislative framework. On March 25, 2010, the Executive and Supervisory Boards issued an updated declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG. The entire declaration is permanently available on the company's website and is also included in the Corporate Governance section online and in the annual report pursuant to Section 289a of the German Commercial Code (HGB).

### **Annual and Consolidated Financial Statements for 2009**

At the AGM on May 28, 2009, the auditing company Röf's WP Partner AG, based in Munich, Germany, was appointed auditor for the company and Group for fiscal 2009. The Chairman of the Audit Committee commissioned the company in writing with the task of auditing the accounting standards. Before the Supervisory Board made its proposal to the AGM, the auditing company confirmed its independence in writing to the Chairman of the Audit Committee.

The Annual Financial Statements for the year ending December 31, 2009 were prepared by the Executive Board in accordance with the German Commercial Code (HGB). The Consolidated Financial Statements for the year ending December 31, 2009 were prepared by the Executive Board in line with IFRS as adopted in the EU and the additional requirements pursuant to Section 315a HGB. The auditing company Röf's WP Partner AG has audited both sets of statements along with the books and approved them without qualification.

Each member of the Supervisory Board received the audit documents for appraisal in a timely manner. Together with the Audit Committee, the entire Supervisory Board undertook a thorough examination of the Annual Financial Statements as well as the Consolidated Financial Statements, the Consolidated (Group) Management Report and the related party disclosures in conjunction with the audit reports. The documents were discussed in detail at the Audit Committee meeting on March 22, 2010 and at the Supervisory Board plenary meeting of the same date, with the Executive Board and in the presence of the auditors, who reported the main findings of their audit and answered questions from Supervisory Board members. After its own close

examination of the documents, the Supervisory Board raised no objections and endorses the results of the audit report. The Supervisory Board also approves the Consolidated (Group) Management Report and, in particular, the forecast regarding the company's further development.

The final examination by the Supervisory Board revealed no grounds for objections. The Supervisory Board has therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Consolidated (Group) Management Report prepared by the Executive Board for the year ending December 31, 2009. The Annual Financial Statements have thus been duly approved.

The Supervisory Board also examined the Executive Board's suggested appropriation of profit for fiscal 2009. It did not raise any objections and thus gives it its unqualified consent.

**Examination of the Executive Board report regarding relations with related entities (related party disclosures)**

The Executive Board prepared a report on related party disclosures for fiscal 2009. This report contains in particular a declaration by the Executive Board about the legal transactions undertaken by Wacker Neuson SE. The Executive Board states that – to the best of its knowledge and based on the information known to the Executive Board at the time the transactions were entered into – appropriate compensation was received in respect of all transactions outlined in the related party disclosures report. Auditing company Röf's WP Partner AG examined the related party disclosures report and issued the following auditor's opinion:

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

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

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

The turbulent global economic situation in no way inhibited the great personal dedication shown by management and all employees of the Wacker Neuson Group. On the contrary, the commitment, dedication and performance of our workforce – both on a day-to-day basis and under exceptional circumstances – were crucial factors behind the company's continued positive development during the period under review. The Supervisory Board would like to thank all employees and the Executive Board for their efforts here.

Munich, March 25, 2010

Supervisory Board

A handwritten signature in black ink, appearing to read 'Hans Neunteufel', written in a cursive style.

**Hans Neunteufel**  
Chairman