Wacker Neuson Group

Breaking New Ground

Annual Report 2021

FIGURES AT A GLANCE 2021

WACKER NEUSON GROUP AT DECEMBER 31

IN € MILLION

	2021	2020	Change
Key figures			
Revenue	1,866.2	1,615.5	15.5%
by region			
Europe	1,477.5	1,289.7	14.6%
Americas	328.6	270.4	21.5%
Asia-Pacific	60.1	55.4	8.5%
by business segment [1]			
Light equipment	399.1	351.8	13.4%
Compact equipment	1,063.0	878.9	20.9%
Services	415.2	399.0	4.1%
EBITDA	313.5	204.6	53.2%
Depreciation and amortization	120.5	129.1	-6.7%
EBIT	193.0	75.5	155.6%
EBT	187.4	53.8	248.3%
Profit for the period	137.9	14.1	878.0%
R&D ratio (incl. capitalized expenses) as a %	4.0	4.0	0.0PP
Share			
Earnings per share in €	1.99	0.20	895.0%
Dividends per share in € [2]	0.90	0.60	50.0%
Key profit figures			
Gross profit margin as a %	25.9	24.8	1.1PP
EBITDA margin as a %	16.8	12.7	4.1PP
EBIT margin as a %	10.3	4.7	5.6PP
EBT margin as a %	10.0	3.3	6.7PP
Cash flow			
Cash flow from operating activities	331.7	420.0	-21.0%
Cash flow from investment activities [3]	-182.6	-91.0	100.7%
Investments (property, plant and equipment, intangible assets)	82.2	86.9	-5.4%
Free cash flow [4]	264.1	344.0	-23.2%
Cash flow from financing activities	-128.9	-91.6	40.7%
	Dec. 31, 2021	**Dec. 31, 2020**	**Change**
Key figures from the balance sheet			
Equity	1,286.2	1,218.1	5.6%
Equity ratio as a %	55.4	57.3	-1.9PP
Net financial debt	-0.8	122.9	-
Gearing as a %	-0.1	10.1	-10.2PP
Net working capital	497.6	497.5	0.0%
Net working capital as a % of revenue	26.7	30.8	-4.1PP
ROCE I as a %	13.3	5.4	7.9PP
Number of employees [5]	5,992	5,554	7.9%

[1] Consolidated revenue before cash discounts.
[2] At the AGM on June 3, 2022, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.90 per share for fiscal 2021.
[3] Includes fixed-term financial investments in the amount of EUR 115.0 million in fiscal 2021 and EUR 15.0 million in fiscal 2020.
[4] Before fixed-term investments in the amount of EUR 115.0 million in fiscal 2021 and EUR 15.0 million in fiscal 2020.
[5] Including temporary workers.

All consolidated figures prepared according to IFRS. To improve readability, the figures in this report have been rounded to the nearest EUR million. Percentage changes refer to these rounded amounts.

Our Mission

Everything we do, think and learn is inspired by the success of our customers in the construction and agricultural sectors. We stay close to our customers around the world so we are always getting quicker and better at understanding their regional needs, challenges and worksite processes. As a specialist for light and compact equipment, we proactively offer innovative solutions, products and services that strengthen our customers' business success in the long term.

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Foreword by the Executive Board

Dear Reader,

Nobody is perfect, but a team can be – employees across the Wacker Neuson Group provided impressive proof of just how true this is during fiscal 2021. Following a sharp drop in revenue in 2020 due to the impact of the COVID-19 pandemic, the Wacker Neuson Group almost balanced out this dip in fiscal 2021, growing revenue 16 percent to reach EUR 1,866.2 million. At the same time, we achieved a remarkable rise in profitability, up 156 percent to EUR 193.0 million, significantly exceeding even the 2019 EBIT (earnings before interest and taxes) level.

» Nobody is perfect, but a team can be! We are proud of what we have achieved together – double-digit revenue growth and a remarkable rise in profitability. «

This may appear at first glance to have been an obvious turn of events given the rapid economic recovery in 2021 and resulting highly dynamic demand from customers across almost all major markets, but in fact our success took hard work and a concerted effort. On the one hand, we were hampered by overstretched and repeatedly disrupted supply chains – a situation that deteriorated over the course of the year. On the other, shortages of raw materials and components repeatedly led to rework effort and this, compounded by rising material prices and spiraling shipping costs, had a negative impact on margins. However, our employees worked tirelessly to get as many machines as possible onto our production lines and delivered to our customers despite all the obstacles. We would like to take this opportunity to offer our sincere thanks to you – dear colleagues – for your extraordinary commitment throughout another challenging year.

It should also be noted that the pandemic continues to have a challenging impact on working conditions, demanding a great deal of energy, adaptability and resilience from our colleagues. Although hopes of an imminent end to the pandemic were high in the summer, the Omicron variant made it clear in the fall that we will have to live with masks, social distancing, quarantine measures and the various challenges of working from home for some time to come.

This gives us all the more reason to be proud of what we have achieved together despite the many difficulties – double-digit revenue growth in our light and compact equipment segments and a positive contribution to earnings from all reporting regions. Our particular thanks also go to our business partners for the loyalty they have shown. We look forward to you continuing to place your trust in us.

In keeping with our dividend policy, which provides for a payout per share of 40 to 60 percent of Group earnings per share, we are keen to ensure our shareholders can enjoy an appropriate portion of the Group's profit once again in fiscal 2021. Together with the Supervisory Board, we will thus propose a dividend of EUR 0.90 per share to the AGM in June. We would like to thank our shareholders for their support and loyalty in these volatile times.

So what are our expectations for fiscal 2022? The prevailing difficulties will continue to accompany us this year. Nevertheless, we are confident that we will again master the challenges ahead and expect revenue for 2022 as a whole to lie between EUR 1,900 and 2,100 million, with an EBIT margin between 9.0 and 10.5 percent. However, this guidance does not include the effects of the Russia/Ukraine crisis, as these cannot be accurately predicted at the present time.

We are following the events currently unfolding following the attack on Ukraine with deep shock and dismay. Our concern and compassion go out to our Ukrainian and Russian colleagues, as well as to our customers and business partners in both countries. At the Wacker Neuson Group, we condemn this military campaign and the violation of Ukraine's sovereignty and territorial integrity in the strongest terms, and hope for a swift and peaceful end to this war.

The Executive Board Team of the Wacker Neuson Group

From left:

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Dr. Karl Tragl
Chairman of the Executive Board
Chief Executive Officer (CEO)

Christoph Burkhard
Chief Financial Officer (CFO)

Alexander Greschner
Chief Sales Officer (CSO)

Our Share in 2021

Bolstered by the hope that vaccine availability would overcome the COVID-19 pandemic, listings on the German and international stock markets rose significantly in value in the first half of 2021. By the summer, however, the increasing severity of supply bottlenecks and rising inflation caused global stock markets to wobble. Even though a more optimistic mood had returned by the fall, the Omicron wave fueled fears in relation to renewed restrictions and lockdowns. These fears were compounded by announcements from some central banks that their loose monetary policy would be coming to an end – a prospect that put international benchmark indexes under pressure. The Wacker Neuson share finished the year with a gain of around 44 percent.

Share and index information

Shares in Wacker Neuson SE have been traded in the regulated Prime Standard segment of the Frankfurt Stock Exchange since 2007 and are listed in the SDAX index. In addition, Wacker Neuson has been included in the "DAXplus Family" index since 2010. Currently 113 German and international companies qualify for this index. For a company to be included in the DAXplus Family Index, the founding family must hold at least 25 percent of the voting rights, or sit on the Executive or Supervisory Board and additionally hold at least 5 percent of the voting rights. The weighting in this index is based on market capitalization of the free float.

Stock market trends in 2021

Hopes that business and society in general were getting back to normal, rising company profits and President Joe Biden's USD 1.9 billion stimulus package led to a record rally across international stock markets over the first half of 2021. The DAX exceeded the threshold of 15,000 points for the first time and recorded a gain of just over 13 percent at the 2021 half-way mark.

A number of factors combined to dampen this upswing, however. While the upwards trend on stock exchanges was generally maintained, there was a marked loss of momentum. Uncertainties surrounding the Omicron wave, continued strains on global supply chains, which added to coronavirus-related restrictions in squeezing economic activity, and concerns about an exit from loose monetary policies pursued by central banks all led to volatility on the stock markets.

The DAX finished the year with a gain of 16 percent, the SDAX rose by 11 percent and the MSCI World by 20 percent.

The Wacker Neuson share in 2021

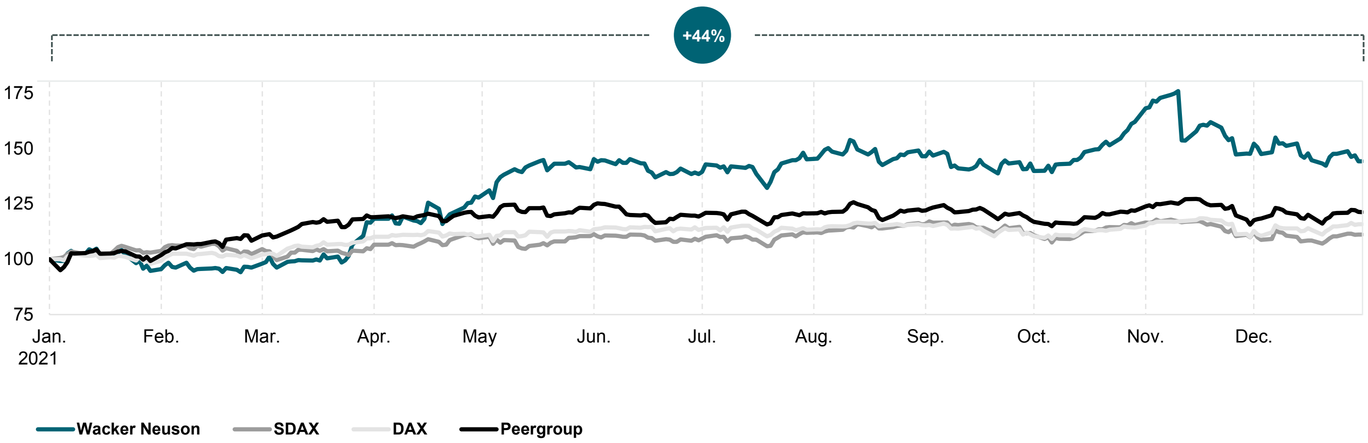
The Wacker Neuson SE share came under pressure in the first quarter of 2021 and recorded its low for the year of EUR 16.48 on February 23, 2021. It recorded a steady upwards trend from March before it started to plateau in June. Following a renewed rally from October, the Wacker Neuson share reached its high for the year of EUR 30.80 on November 10, 2021. After that, it returned to the same level as the period from May to October, closing on the last day of 2021 trading at EUR 25.24. Over the year as a whole, the share made a gain of around 44 percent (all data on an end-of-day basis, Xetra trading platform).

Performance of peer group

The chart below shows how the Wacker Neuson share performed in relation to its peer group. The peer index includes, with equal weighting, the French company Manitou, which manufactures construction and agricultural equipment; the American construction and agricultural equipment manufacturers Caterpillar, John Deere and Agco; the Swedish industrial companies Atlas Copco, Husqvarna and Volvo; the Korean construction equipment manufacturer DoosanBobcat; the Chinese mechanical engineering company Sany; the Japanese construction equipment manufacturers Komatsu, Hitachi, Takeuchi and Kubota; industrial company CNH, headquartered in England; and German companies Bauer, specialist in underground construction, and Deutz for engines targeted at construction equipment and other industries. The American rental company United Rentals and the British rental company Ashtead are also included in the peer group. The peer group finished the year with a gain of around 21 percent.

SHARE PRICE TRENDS JAN. 1, 2021–DEC. 31, 2021

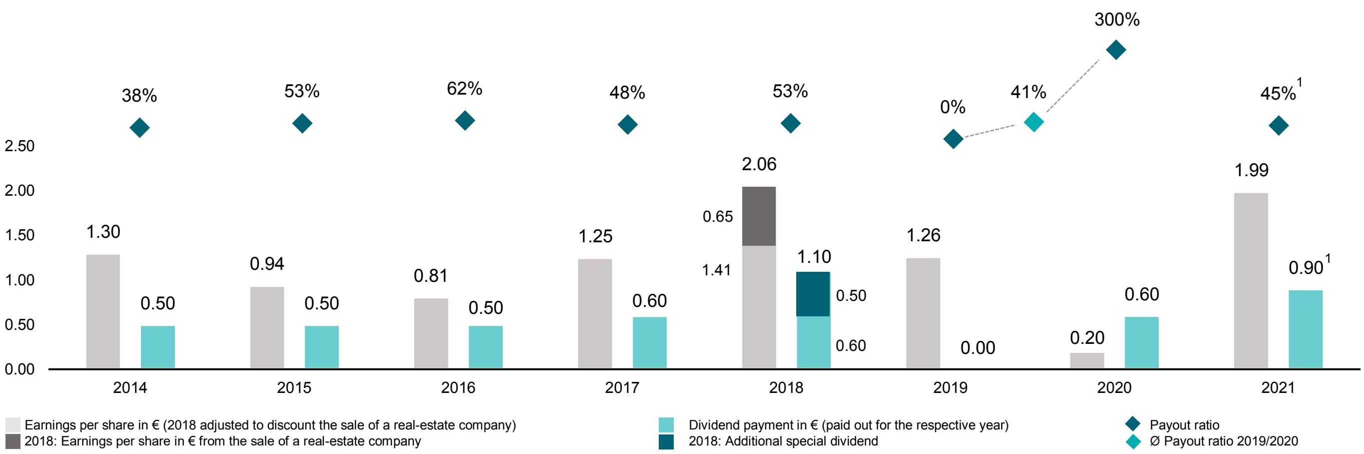
AS A %



Peer group: Agco, Ashtead, Atlas Copco, Bauer, Caterpillar, CNH Industrial, Deutz, DoosanBobcat, Hitachi, Husqvarna, John Deere, Komatsu, Kubota, Manitou, Sany, Takeuchi, United Rentals, Volvo.

EARNINGS PER SHARE, DIVIDEND AND PAYOUT RATIO 2014–2021

IN €



[1] At the AGM on June 3, 2022, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.90 per share for fiscal 2021.

KEY INDICATORS FOR THE WACKER NEUSON SHARE

IN €

	2021	2020
High	30.80	18.37
Low	16.48	8.47
Average	23.29	14.57
Year-end	25.24	17.51
Average daily trading volume in shares[1]	81,386	153,759
Earnings per share[2]	1.99	0.20
Book value per share[2]	18.91	17.37
Dividend payment[2,3]	0.90	0.60
Payout ratio as a %	45.2	300.0
Market capitalization at year-end in € million	1,770.3	1,228.2

[1] Day trading: on XETRA.
[2] 70,140,000 shares.
[3] At the AGM on June 3, 2022, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.90 per share for fiscal 2021.

SHARE FACTS AT A GLANCE

ISIN/WKN	DE000WACK012/WACK01
Trading symbol	WAC
Sector	Industrial
Reuters/Bloomberg	WACGn.DE/WAC GY
Stock category	Individual no-par-value nominal shares
Share capital	EUR 70,140,000
Number of authorized shares	70,140,000
Stock exchange segment	Regulated market (Prime Standard), Frankfurt Stock Exchange
Indexes	SDAX, DAXplus Family, CDAX, Classic All Shares
IPO	May 15, 2007
Designated sponsor	M.M.Warburg

General meeting and dividends

The Annual General Meeting (AGM) of Wacker Neuson SE took place on May 26, 2021. Due to the ongoing special circumstances surrounding the COVID-19 pandemic, the meeting was again held virtually without shareholders or their proxy holders being physically present (with the exception of the proxies appointed by the company).

Votes were cast for approximately 79 percent of the company's share capital. The dividend payout proposed by the Executive Board and Supervisory Board in the amount of EUR 0.60 per share for the past fiscal year was approved by shareholders. In light of the unpredictability surrounding the ramifications of the COVID-19 pandemic, the Annual General Meeting had resolved to suspend the dividend payout in the previous year.

During the course of further resolutions, the Annual General Meeting approved the new remuneration system for the Executive Board with a large majority, and additionally adopted the remuneration system for the Supervisory Board presented at the meeting. The actions of the Executive Board and Supervisory Board were formally approved for fiscal 2020. Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Stuttgart, was again appointed as the auditor to review the Annual Financial Statements.

Dividend policy and dividend proposal for the 2022 AGM

Wacker Neuson SE has adopted an attractive shareholder remuneration policy to ensure that shareholders enjoy a steady and appropriate share of the company's profit. This framework is determined by the earnings figures and the need to ensure that the Wacker Neuson Group maintains adequate capitalization.

The Wacker Neuson SE dividend policy provides for a payout per share of 40 to 60 percent of Group earnings per share.

This dividend policy reflects the current objective of the Executive Board and the Supervisory Board and it may be modified in the future. In addition, corresponding dividend proposals from the Executive Board and the Supervisory Board are required for the payment of a dividend in a given year, and both of these bodies could decide to depart from this dividend policy if they see fit under the prevailing circumstances. The decision on the dividend is made by the AGM.

At the AGM on June 3, 2022, the Executive Board and the Supervisory Board will propose a dividend payout of EUR 0.90 per eligible share.

2021 share buyback program

Wacker Neuson SE initiated a share buyback program in fiscal 2021 which concluded on November 19, 2021. The buyback encompassed a total of 2,124,655 shares at a total purchase price of EUR 52,999,971.94 (excluding incidental acquisition costs).

Ownership structure

As of the closing date, December 31, 2021, 58 percent of the share capital was held by a consortium made up of the Wacker and Neunteufel families. → Information regarding the consortium and pool agreement, page 62 ff.

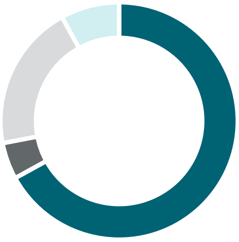
The free-float shares are held by institutional and private investors. To the best of the Group's knowledge, the majority of its free float (approximately 67 percent) is held by German investors. Another 25 percent is owned by investors from other European countries.

SHAREHOLDER STRUCTURE
AS A %

58	Share consortium Wacker and Neunteufel family[1]
39	Free float[2]
3	Treasury shares

As of December 31, 2021.
Differences attributable to rounding. Number of shares: 70.14 million
[1] See → Information on consortium and pool agreement, page 62 ff.
[2] Including shares held by the Wacker and Neunteufel families independently of the consortium.

REGIONAL DISTRIBUTION OF FREE FLOAT
AS A %



67	Germany
5	Austria
20	Europe (rest of Europe)
8	USA (and rest of World)

As of December 31, 2021.
Differences attributable to rounding.

ANALYST RECOMMENDATIONS

NAME OF BANK	Target price	Buy	Hold	Sell	Date
Commerzbank	€35.00	■			Aug. 17, 2021
Hauck & Aufhäuser	€33.00	■			Feb. 10, 2022
Metzler	€32.00	■			Dec. 01, 2021
Berenberg	€32.00	■			Feb. 11, 2022
Montega	€32.00		■		Oct. 26, 2021
Warburg	€32.00	■			Feb. 10, 2022
Jefferies	€31.00	■			Feb. 21, 2022
Kepler Cheuvreux	€21.00			■	Feb. 9, 2022

As of: March 14, 2022

Strong relationships – proactive communication

Maintaining good relationships and regular contact with private shareholders, institutional investors, analysts and other stakeholders is essential to give market players the information they need to assess and evaluate the Wacker Neuson share and its development. To ensure this, the Executive Board and the Investor Relations team again actively briefed capital market players in 2021 – above all at various investor conferences and roadshows, which were held exclusively as digital events in view of the COVID-19 pandemic, as well as at the virtual AGM. Communications focused on giving analysts and investors detailed insights into the Wacker Neuson Group's markets, business, strategic aims and developments in these areas.

A wealth of information is also available to shareholders and interested parties on the Group website: → www.wackerneusongroup.com/investor-relations. This includes annual and interim reports, quarterly reports, corporate news and ad-hoc announcements, plus recent presentations. The progress of Wacker Neuson's share and the shares of its peer group can also be tracked on the website.

For fiscal 2021, the Wacker Neuson Group issued a non-financial Group report in line with Section 315b of the German Commercial Code (HGB). This was published at the same time as the Annual Report. As a separate non-financial Group report, it covers topics such as environmental, social and employee matters, human rights, anti-corruption and bribery. The report can be downloaded from the Group website. → www.wackerneusongroup.com/investor-relations

Analyst coverage

In 2021, eight analysts evaluated the Wacker Neuson share. At the end of 2021, Commerzbank ceased this line of business and no longer engages in research activities.

As of March 14, 2022, five analysts were recommending to "buy" the Wacker Neuson share, one analyst was recommending "hold", and one analyst was recommending "sell". The mean target price was EUR 30.43.

Report by the Supervisory Board

Dear Shareholders,

2021 was a successful year for our company. Following three years of double-digit growth in fiscal 2017, 2018 and 2019, our Group experienced a sharp dip on this positive trajectory in 2020 due to the global impact of the COVID-19 pandemic. We recorded strong growth again in 2021, however, with some regions already clearly surpassing the pre-pandemic baseline. At the same time, we were able to achieve a marked rise in profitability – even compared with the years before the outbreak of the pandemic. We would like to thank our employees in particular for helping us to achieve these results. Their dedication and ability to embrace responsibility was a huge support to company management.

Cooperation between the Supervisory Board and Executive Board

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 Executive Board applied sound, compliant and effective governance practices. Furthermore, the Supervisory Board regularly advised the Executive Board on the management of the company and supervised management activities on an ongoing basis. The Supervisory Board maintained continuous dialog with the Executive Board regarding business development and corporate strategy and was involved in all major decisions regarding the company.

In the run-up to and during its meetings, the Supervisory Board was brought up to date on business developments; changes in assets, earnings and financials; fundamental issues regarding company planning, company strategy, internal control and risk management, and compliance; and other key measures by means of written and verbal reports from the Executive Board. 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 Supervisory Board and its committees also convened without the Executive Board, particularly regarding Supervisory Board matters and HR issues relating to the Executive Board.

Hans Neunteufel
Chairman of the Supervisory Board

There was full attendance at all meetings of the Supervisory Board and its committees. The attendance rates are broken down per meeting in the following table:

	Supervisory Board plenary meeting attendance	As a %	Presiding Committee attendance	As a %	Audit Committee attendance	As a %
Hans Neunteufel (Chairman)	7/7	100	5/5	100		
Ralph Wacker (Deputy Chairman)	7/7	100	5/5	100	4/4	100
Kurt Helletzgruber (*)	3/3	100			2/2	100
Christian Kekelj	7/7	100				
Prof. Dr. Matthias Schüppen	7/7	100	5/5	100	4/4	100
Elvis Schwarzmair	7/7	100			4/4	100

(*) Membership suspended between December 1, 2020 and May 31, 2021 due to secondment to the Executive Board.

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. In particular, the Supervisory Board was informed about instances where actual developments deviated from previously reported targets and where business activities deviated from the Group's plans, with the Supervisory Board placing a particular emphasis on this in view of the pandemic ramifications.

Together with the Executive Board, the Supervisory Board discussed and examined in detail proposals that required Supervisory Board ratification and approved individual business transactions where this was required by law, the Articles of Incorporation or the rules of procedure for the Executive Board. The Supervisory Board voted on resolutions of this kind during scheduled meetings and in writing.

In addition, the Executive Board presented the Supervisory Board with monthly reports on key financial indicators. Furthermore, the Chairman of the Supervisory Board maintained regular contact with the Executive Board, and with its Chairman in particular, ensuring a continuous flow of information on the current business and financial situation of the Group and its affiliates and on major business events.

The Supervisory Board and its committees also addressed the implementation of a number of legislative requirements in the year under review, such as the time limit placed on auditor engagements, resulting in the engagement being put out to tender, and the development of a remuneration system for the Executive Board members.

Members of the Supervisory Board also undertook the training and further development measures required to discharge their duties on their own initiative and were supported by the company in their efforts here. One member of the Supervisory Board successfully completed a course to obtain the "Certified Member of the Supervisory Board" certificate at the School of Governance, Risk & Compliance of Steinbeis University Berlin.

Main topics of Supervisory Board meetings in fiscal 2021

Seven plenary meetings of the Supervisory Board were held in fiscal 2021. Two of these sessions were conducted by telephone. The Presiding Committee met five times and the Audit Committee met on four occasions. In two cases, the Supervisory Board adopted resolutions outside of meetings, for example by means of circular resolution. All members of the Supervisory Board also participated in the resolutions passed outside of meetings.

The Supervisory Board engaged regularly with the day-to-day business of the Wacker Neuson Group and with planning activities at executive level, with attention focusing also in particular on global economic developments, especially in light of the COVID-19 pandemic 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 revenue, costs and earnings. 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 during the relevant meetings. Executive Board matters were also on the agenda on a regular basis.

In addition to these regular reports, the Supervisory Board concentrated its advice and supervisory activities on the following areas in particular during its meetings and resolution discussions:

In a circular resolution of February 24, 2021, a resolution was passed on Executive Board matters in connection with the secondment of Mr. Helletzgruber to the Executive Board.

HR matters were discussed in a (telephone) meeting of March 3, 2021 that was continued on March 5 and 8, 2021.

At the Supervisory Board meeting to approve the financial statements on March 18, 2021, following appropriate preparations by the Audit Committee, the Supervisory Board focused on examining the Annual Financial Statements, the Consolidated Financial Statements, the Combined Management Report of Wacker Neuson SE and of the Wacker Neuson Group, the non-financial Group report, as well as related party disclosures for fiscal 2020, including the Report by the Supervisory Board and the corporate governance report. By way of preparation, the Audit Committee had discussed these documents in detail with the Executive Board during its session immediately before the Supervisory Board meeting, raising questions with the auditing company representative present at the meeting, and discussing these issues at length. This took place in addition to the Supervisory Board's regular examinations as part of its own preparation for the meeting to approve the financial statements. On the basis of this, the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report were approved. The appropriation of net profit suggested by the Executive Board was also approved in this meeting together with the recommendation to the Supervisory Board on the appointment of the auditor, the AGM agenda, the Report by the Supervisory Board and the non-financial Group report. The Executive Board shared the above-mentioned documents with the Supervisory Board in advance of the meeting. Also during this meeting, the Supervisory Board approved the 2021 share buy-back program and its key elements as previously approved by the Executive Board.

This meeting also dealt with the remuneration system for the Executive Board members for submission to the AGM in accordance with the law governing implementation of the second shareholders' rights directive (ARUG II). The new remuneration system for the Executive Board was geared in particular towards the long-term, sustainable development of the Wacker Neuson Group. In addition, the Supervisory Board approved the remuneration system for the Supervisory Board, which also had to be approved by the AGM in 2021.

The business of this meeting also covered the virtual AGM, the updating of the rules of procedure for the Supervisory Board, the evaluation of the findings of the Supervisory Board efficiency check carried out in the form of a self-assessment survey as well as miscellaneous Executive Board matters.

In an extraordinary (telephone) meeting of March 23, 2021, the Supervisory Board discussed Executive Board matters and approved the appointment of Dr. Karl Tragl as an additional member of the Executive Board and as CEO, effective as of June 1, 2021. The allocation of roles and responsibilities was adjusted accordingly in this context and further HR matters were discussed.

In a circular resolution of April 21, 2021, Mr. Christoph Burkhard was appointed as an additional member of the Executive Board (CFO), effective as of June 1, 2021.

On May 6, 2021, the Supervisory Board discussed the forthcoming quarterly report at length. The current status of the business in North America was also discussed. Other items on the agenda included a briefing on current strategic projects as well as Executive Board matters.

At the meeting of August 5, 2021, the agenda items strategy, market and sales, technology and operations, and the forecast with opportunities and risks were discussed. The Executive Board also presented the half-year report and briefed the meeting on the status of various strategic and M&A projects.

At the annual strategy meeting with the Executive Board on October 12 and 13, 2021, the Supervisory Board discussed the evolution of company strategy through 2025. The main items on the agenda were the company's regional-, product- and location-related strategies, but cost management, potential OEM-/cooperations and future M&A transactions were also discussed.

During its meeting on December 9, 2021, the Supervisory Board focused on examining the Executive Board's business plan proposal for fiscal 2022, as well as on medium-term and financial planning. Supervisory Board members not only assessed the plans, but also discussed the associated opportunities and risks in detail with the Executive Board, also against the backdrop of the difficult-to-predict global economic climate. Resolutions were also passed on the target percentage for the representation of women on the Executive Board and the Supervisory Board, the submission of the declaration of compliance with the German Corporate Governance Code in accordance with Section 161 of the German Stock Corporation Act (AktG) and on miscellaneous Executive Board matters. Other items on the agenda included potential M&A transactions and the topic of sustainability (zero emissions).

In addition to this, the Supervisory Board examined each of the Executive Board's monthly reports on an ongoing basis.

Work performed by the Supervisory Board committees in fiscal 2021

The two Supervisory Board committees (the Presiding and Audit Committees) also continued their work during the period under review, effectively supporting the entire Supervisory Board in its duties by preparing Board resolutions and other matters for consideration at its plenary meetings. The meetings of the Audit Committee were also regularly attended by all of the other Supervisory Board members in a guest capacity. The members and chairpersons of both committees are listed in the declaration on corporate governance. The chairpersons of the committees reported on the work performed by the committees during the Supervisory Board's plenary meetings. The chairperson of the Audit Committee also maintained regular communication with the auditors in the periods between meetings.

At its meeting on March 17, 2021, the Audit Committee discussed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for Wacker Neuson SE and the Group at December 31, 2020 with the Executive Board and the auditor. The report on related party disclosures and the non-financial Group report were also discussed at this meeting. The Audit Committee examined in particular the key audit matters described in the Auditor's Report, including the audit procedures performed, and addressed the auditor's audit reports on the Annual and Consolidated Financial Statements and the Combined Management Report in the presence of the auditor. It also established that there were no circumstances that could give rise to concerns about the impartiality of the auditor. In addition, the Audit Committee obtained the required declaration of independence from the auditor, checked that the auditor's is suitably qualified and negotiated the auditor's fees following the vote by the AGM. The provision of certain non-audit services by the auditor was also discussed. This meeting of the Audit Committee further discussed the impact of the German Act to Strengthen Financial Market Integrity (FISG), which among other things provides for a fixed ten-year term of engagement for auditors (external rotation) with no possibility of extension. This results in a requirement for the company to re-tender its audit for the coming year (2022). The Audit Committee therefore decided to recommend Ernst & Young to the Supervisory Board plenary meeting as the auditor of the Annual and Consolidated Financial Statements and as the reviewer of the half-year report for the last time for fiscal 2021. The Supervisory Board, in turn, followed this recommendation and proposed the same auditor at the AGM. Finally, the Audit Committee addressed the appropriateness and effectiveness of the risk management system and internal control system as well as the effectiveness, structure, findings and audit plan of the internal auditing system.

At its meeting of May 6, 2021, the Audit Committee adopted a resolution on the non-public tender for the audit to be performed for fiscal 2022 and in this context discussed the project team and the timeline among other details. The committee also addressed the forthcoming publication of the quarterly report.

In the meeting of August 5, 2021, the committee discussed the half-year report and the engagement to review the 2021 non-financial Group report. In addition, the meeting passed a resolution on the non-public call for tender for the audit to be performed for fiscal 2022 and approved the tender documentation. The current risk report and the internal audit report were also discussed. Finally, the committee was briefed on compliance activities in 2020.

The items on the agenda of the telephone meeting of November 8, 2021 included the forthcoming quarterly report, the status of the tender for the 2022 audit and the mandatory EMIR audit in line with Section 32 of the German Securities Trading Act (WpHG).

In five meetings held on February 4, 5 and 12, March 2 and April 21, 2021, the Presiding Committee focused on various Executive Board matters and prepared corresponding resolutions for the Supervisory Board. One of the key areas of focus here was the selection of candidates to join the Executive Board. By way of preparation, the Presiding Committee discussed the details of the new remuneration system for the Executive Board.

Changes in the composition of executive bodies

Dr. Karl Tragl was appointed Chief Executive Officer (CEO) with effect from June 1, 2021 with responsibility for the areas of strategy/M&A, investor relations & corporate communication, sustainability, HR, legal and compliance, real estate and – from January 1, 2022 – for business process management.

Also with effect from June 1, 2021, Mr. Christoph Burkhard was appointed as an additional member of the Executive Board. As Chief Financial Officer (CFO), he is responsible for finance (incl. taxation and treasury), controlling & risk management, auditing, IT (incl. data privacy), sales financing and – from January 1, 2022 – for integrated business planning.

As a result of these changes, Mr. Kurt Helletzgruber, who had been seconded from the Supervisory Board to the Executive Board from December 1, 2020 to June 30, 2021 in line with Section 105 (2) AktG, stepped down from his positions as CEO and CFO with effect from May 31, 2021 and returned to the Supervisory Board. Mr. Helletzgruber had previously (from December 1, 2020) assumed the position of CFO before also taking on the role of CEO on an interim basis from January 1, 2021. His areas of responsibility were investor relations & sustainability, HR & corporate communication, legal &

compliance, real estate, finance (incl. taxation and treasury), controlling & risk management, auditing, IT (incl. data privacy) and sales financing. The Supervisory Board would like to warmly thank Mr. Helletzgruber for his successful and exceptionally committed work on the Executive Board.

Mr. Felix Bietenbeck took on the position of Chief Operations Officer (COO) on October 1, 2020 and also assumed the role of Chief Technical Officer (CTO) on January 1, 2021. He is now responsible for production, quality, supply chain management, procurement, research & development and the Americas region.

Risk assessment and compliance

The Supervisory Board has established to its conviction that the company's internal control system and risk management system meet the requirements of Section 91 (2) AktG, that insurable risks are sufficiently insured and that operational, financial and contractual risks are subject to suitable controls through approval procedures and organizational processes. A detailed risk reporting system is in place throughout the Group and is regularly maintained and further developed. The internal control and risk management systems were also examined by the duly appointed auditing company, which confirmed that the Executive Board had met the requirements outlined under Section 91 (2) 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. The Executive Board informed the Supervisory Board of the current risk situation during Supervisory Board meetings and in individual conversations. All areas deemed to be risks from the perspective of the Supervisory Board and the Executive Board were duly discussed during these sessions. In addition, the Supervisory Board and/or the Audit Committee addressed compliance issues.

Corporate governance

Both the Supervisory Board and the Executive Board are aware that sound 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. The Executive Board and the Supervisory Board issued a declaration of compliance with the German Corporate Governance Code pursuant to Section 161 AktG for the period under review at the meeting of December 9, 2021. The entire declaration is always available on the company's website and is also included in the declaration on corporate governance pursuant to Section 289 f of the German Commercial Code (HGB) in combination with Section 315 d HGB, which can be found online and in the Annual Report.

There were no conflicts of interest on the part of Executive Board or Supervisory Board members requiring disclosure to the Supervisory Board in accordance with Section E. Standard 19 of the German Corporate Governance Code. Prof. Dr. Matthias Schüppen, who assumed the Chair of the Audit Committee for the duration of Mr. Kurt Helletzgruber's secondment, continued in this role until the Annual Financial Statements for 2021 had been approved. Mr. Helletzgruber did not participate in resolutions of the Supervisory Board or of the Audit Committee involving matters or financial reports that fell within the period of his secondment to the Executive Board.

Annual and Consolidated Financial Statements for 2021

At the AGM on May 26, 2021, the company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("Ernst & Young") of Stuttgart, Germany, was again appointed official auditor for the company and Group for fiscal 2021. Before the Supervisory Board made its proposal to the AGM, based in turn on the recommendation by the Audit Committee, the auditing company submitted written confirmation to the Chairman of the Audit Committee that there are no circumstances that could compromise its independence as an auditor or give rise to doubts about its independence. Ernst & Young also specified the scope of services other than the audit of annual financial statements performed on behalf of the company over the previous fiscal year. The Chairman of the Audit Committee engaged the auditing company in writing with the task of auditing the financial accounting procedures.

The Annual Financial Statements for the company for the year ending December 31, 2021 prepared by the Executive Board in accordance with HGB, and the Consolidated Financial Statements for the company for the year ending December 31, 2021 prepared by the Executive Board in line with the International Financial Reporting Standards (IFRS) as adopted by the EU, and in supplementary compliance with the disclosures required under Section 315e HGB, were audited by Ernst & Young along with the books. The audit did not give rise to any reservations, so an unqualified audit opinion was issued for both the Annual Financial Statements and the Consolidated Financial Statements. The auditor further determined that the Executive Board has set up a suitable information and monitoring system which is designed and used in such a way as to support the early identification of developments that could pose a threat to the company's continued existence as a going concern.

Each member of the Supervisory Board received the audit documents for appraisal in good time. 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 Combined Management Report for the company and the Group and the related party disclosures in conjunction with the audit reports. The documents were discussed in detail at the Audit Committee and Supervisory Board plenary meetings on March 23 and 24, 2022 with the Executive Board and with the auditor. The auditor attended the Audit Committee consultations, reported on the main results of their audit and provided supplementary information and answers to Supervisory Board members. In line with the new requirements set out in the FISG, the Executive Board did not participate in the relevant discussions on the Annual Financial Statements between the Audit Committee and the auditor. 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 Combined (Group) Management Report and, in particular, the forecast regarding the company's further development.

The final examination by the Supervisory Board did not lead to any reservations. On March 24, 2022, the Supervisory Board therefore endorsed the Annual Financial Statements, the Consolidated Financial Statements and the Combined Management Report for the company and the Group as prepared by the Executive Board for the year ending December 31, 2021. The 2021 Annual Financial Statements have thus been duly approved. The Supervisory Board further examined the Executive Board's suggested appropriation of profit for fiscal 2021, in particular with regard to the dividend payment policy, impact on Group liquidity and shareholder interests and did not raise any objections. In line with the Audit Committee's recommendation, it gave its consent to the Executive Board's proposal.

The Supervisory Board also examined the non-financial Group report for 2021 in line with Section 315 b HGB. Ernst & Young had been previously tasked with auditing the non-financial Group report to obtain limited assurance in line with the International Standard on Assurance Engagements (ISAE) 3000, and correspondingly prepared and submitted its report to the Supervisory Board. The Supervisory Board received the result of the limited assurance engagement undertaken by Ernst & Young and, following its own in-depth examination, concluded that the Group's non-financial report fulfills the appropriate requirements and there are no grounds for objection.

The auditor is also engaged to separately audit the remuneration report to be submitted to the AGM for the first time. Alongside the formal audit required under Section 162 (1) and (2) AktG, the content of the remuneration report will also be audited. The Supervisory Board engaged the auditor to perform this audit by means of a circular resolution of February 4, 2022. The remuneration report can be found in the invitation to the 2022 AGM and will also be available on the company's website under Investor Relations/Corporate Governance.

Examination of the Executive Board report on related party disclosures

The Executive Board prepared a report on related party disclosures for fiscal 2021. The Executive Board states in particular that – to the best of its knowledge and based on the information known to it at the time the transactions were entered into – appropriate compensation was received by Wacker Neuson SE in respect of all transactions outlined in the related party disclosures report. As the official auditor, Ernst & Young examined the related party disclosures report and issued the following auditor's opinion:

"Based on our professional examination and evaluation, we hereby 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 auditor were read and understood by these bodies, and both documents and their results were examined and discussed with the Executive Board and the auditor. 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 report, the Supervisory Board regards the Executive Board's conclusions to be true and accurate and has therefore no objection to the closing statement by the Executive Board.

The management and all employees of the Wacker Neuson Group showed great personal dedication over the past fiscal year and made a valuable contribution to the Group's positive development. The Supervisory Board would like to expressly thank all employees and members of the Executive Board for their commitment and performance in these challenging times.

Munich, March 24, 2022

On behalf of the Supervisory Board

Hans Neunteufel
Chairman of the Supervisory Board

Declaration on corporate governance

Corporate governance takes high priority at the Wacker Neuson Group. Our Executive and Supervisory Boards see it as their responsibility to comply with principles ensuring responsible, professional and transparent company management, as stipulated in the German Corporate Governance Code. Our activities are geared toward securing our company's long-term success and increasing its value. Embedded throughout the company, our mission statement is an integral part of all of our business practices.

Declaration on corporate governance

In the following statement, the Executive Board reports on the company's corporate governance policies and practices – also for the Supervisory Board. It therefore complies with Sections 289f in conjunction with Section 315d of the German Commercial Code (HGB) as well as Standard 22 of the German Corporate Governance Code (DCGK).

1. Declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of Wacker Neuson SE consider the German Corporate Governance Code as an important body of regulations. Both bodies feel compelled to comply with its principles of responsible, professional and transparent corporate governance. They have therefore thoroughly examined the recommendations of the German Corporate Governance Code and issued the following declaration of compliance as most recently amended on December 9, 2021:

Declaration of compliance with the German Corporate Governance Code in accordance with Section 161 AktG
The German Corporate Governance Code contains recommendations and suggestions for managing and monitoring German listed companies in relation to shareholders and the Annual General Meeting (AGM), the Executive Board and the Supervisory Board, transparency, accounting and auditing. German Stock Corporation legislation requires the Executive Board and the Supervisory Board of listed companies to disclose each year the recommendations of the German Corporate Governance Code which the company has not followed or is not following, and to explain the reasons for non-compliance ("comply or explain").

The Executive Board and the Supervisory Board identify with the duty as outlined in the German Corporate Governance Code to uphold the principles of a social market economy and maintain the substance of the company as a going concern and its ability to generate value in a sustainable fashion (company interest) and to further promote responsible and transparent management and governance of the company.

In accordance with Section 161 AktG, the Executive Board and the Supervisory Board of Wacker Neuson SE hereby declare that:

Since it last submitted a declaration of compliance on December 22, 2020, Wacker Neuson SE has complied with the recommendations of the Government Commission on the German Corporate Governance Code as amended on December 16, 2019 and published by the German Federal Ministry of Justice (BMJ) in the official section of the Federal Gazette on March 20, 2020, and will continue to comply with these in the future with the exceptions listed below:

Recommendation C.1: When submitting its election proposals to the Annual General Meeting regarding the election of the shareholder representatives, the Supervisory Board takes into account the statutory requirements and recommendations of the German Corporate Governance Code in relation to the suitability requirements to be met by Supervisory Board members.

Here the focus is placed – irrespective of nationality and gender – on the specialist and personal skills of potential candidates in relation in particular to the company's specific situation, and not on rounding out a given competency profile or pursuing a diversity concept. Within the scope of evaluating competence, the Supervisory Board also places appropriate emphasis on the company's international engagement, potential conflicts of interest, the number of independent members of the Supervisory Board, the age limit stipulated for members of the Supervisory Board and the principle of diversity and, for elected employee representatives, the special regulations set down in Germany's co-determination acts (Mitbestimmungsgesetze).

In the Supervisory Board's view, it is not otherwise necessary to specify concrete targets for its composition or to develop a specific diversity-based competency profile for the governing body as a whole. Consequently, the declaration on corporate governance does not outline such profiles or concepts or the manner or extent to which they have been implemented – with the exception of statements relating to compliance with legal requirements arising in particular from the German law governing Equal Participation of Women and Men in Leadership Positions ("women's quota").

Given the disclosures relating to the independence of Supervisory Board members made in the declaration on corporate governance, the Supervisory Board further refrains from again providing explicit information about what it considers to be an appropriate number of members and their names in the declaration on corporate governance.

Recommendation C.14: The Supervisory Board is of the view that the information made available to the Annual General Meeting and published on the company's website as standard practice to date is sufficient and thus continues to refrain from drafting, publishing and updating more detailed résumés for proposed and current members of the Supervisory Board.

Recommendation D.1: In March 2021, the rules of procedure for the Supervisory Board were revised, re-approved and published for the first time.

Recommendation D.5: The Supervisory Board has not formed a nomination committee. The size of the Supervisory Board (four shareholder representatives) does not warrant a dedicated committee for proposing the shareholders' Supervisory Board candidates.

Section G.I.: Since its amendment on March 20, 2020, the German Corporate Governance Code contains recommendations regarding remuneration for the Executive Board in section G.I. To the extent that the old remuneration system for the company's Executive Board, under which the employment contracts of the Executive Board members were concluded prior to October 1, 2020, is not yet in compliance with these recommendations, a declaration of non-conformance is not necessary since the German Corporate Governance Code and the transitional provisions of the German Stock Corporation Act on the amendments resulting from the law governing implementation of the second shareholders' rights directive (ARUG II) do not require the amendment of existing employment contracts in the interests of continuity.

In the interests of maximum transparency and completeness, it should be noted that this old remuneration system for the company's Executive Board, which still applies to the current employment contract of Mr. Alexander Greschner, does not or does not fully implement the following recommendations: G.3 (vertical comparison), G.4 (horizontal comparison), G.6 (long-term targets exceeding short-term targets), G.7 (determining variable remuneration components), G.10 (share-based remuneration) and G.11 sent. 2 (option to retain or reclaim variable remuneration).

Recommendations G.6, G.7 and G.10: Mr. Kurt Helletzgruber was seconded from the Supervisory Board to the Executive Board on an interim basis from December 1, 2020 up to and including May 31, 2021. As such, the Supervisory Board opted for a different remuneration structure that reflects this special situation.

Recommendation G.18: The previous remuneration system for the Supervisory Board contains a short-term remuneration component based on the company's success. This model shall be retained as it is not intended to be a management incentive or bonus for the Supervisory Board linked to the company's long-term development but rather as a mechanism that relieves remunerative pressure in less successful years.

Munich, December 9, 2021

Wacker Neuson SE

Executive Board and Supervisory Board

Dr. Karl Tragl	Hans Neunteufel
Chairman of the Executive Board, Chief Executive Officer (CEO)	Chairman of the Supervisory Board

The above declaration has been made permanently available to shareholders on the Wacker Neuson SE company website → www.wackerneusongroup.com under Investor Relations / Corporate Governance. It is updated as required but once a year at least. Previous declarations of compliance, as well as declarations on corporate governance as part of the respective annual reports, remain available on the Wacker Neuson website for a period of at least five years. Further details on our corporate governance policies and practices are presented in the following section of this declaration on corporate governance.

2. Corporate governance

This section outlines the mode of operation of the Executive Board and the Supervisory Board as well as the composition plus mode of operation of the Supervisory Board committees.

Wacker Neuson SE is a listed European company (Societas Europaea) incorporated under German law with its headquarters in Munich. It is registered in the German Register of Companies (Handelsregister) of the Munich Magistrate's Court under HRB 177839. Upon foundation of the company, shareholders chose the dual management system common under German Stock Corporation legislation, comprising two executive bodies, the Executive Board and the Supervisory Board, each vested with different spheres of competence. The two bodies work closely together on a basis of mutual trust and are committed to increasing the company's long-term value.

Executive Board
The Executive Board represents the company vis-à-vis third parties and manages its business in accordance with legal regulations, the Articles of Incorporation and the rules of procedure for the Executive Board. In the reporting year up to May 2021, the Executive Board consisted of three members. It currently consists of four members and this will remain the case until further notice. The Executive Board is responsible for managing the company and represents it both legally and otherwise. It functions on the basis of joint accountability. All members of the Board are jointly responsible for all areas of company management.

The Executive Board plans the company's strategic direction, aligns it with the Supervisory Board and ensures it is appropriately executed. It is also responsible for establishing the company's and Group's business plans for the coming year and beyond as well as preparing legally required reports such as Annual Financial Statements, Consolidated Financial Statements and interim reports. In addition, the Executive Board also ensures that a suitable risk management and control system is in place and that regular, prompt and extensive reports are presented to the Supervisory Board regarding all issues relating to strategy, company planning, business developments, the risk situation, risk management and compliance activities that are relevant to the company and the Group.

Responsibilities and cooperation within the Executive Board are governed by the rules of procedure for the Executive Board. These focus not only on the lines of responsibility vested in individual Executive Board members, but also the issues entrusted to the Executive Board as a whole, resolutions (quorum requirements in particular) and the rights and obligations of the chairperson of the Executive Board. Executive Board meetings are held regularly and are convened by the chairperson of the Executive Board – also at the request of an Executive Board member. The Executive Board generally reaches decisions based on a simple majority of votes cast unless other legal provisions apply. If an equal number of votes are cast, the chairperson has the casting vote.

The chairperson of the Executive Board steers and coordinates the entire Executive Board and represents the company and Group vis-à-vis the public, in particular when dealing with the authorities, trade associations and publishing houses.

Mr. Kurt Helletzgruber was chairperson of the Executive Board of Wacker Neuson SE, the parent company of the Group, in the reporting year up to May 2021, having been seconded to this position from the Supervisory Board since December 2020 onwards. Dr. Karl Tragl has held the position of chairperson of the Executive Board since June 1, 2021 and will continue to do so until further notice. A deputy chairperson of the Executive Board was not appointed in either case. Further details on individual members of the Executive Board, in particular their areas of responsibility within the Executive Board, are disclosed in the Notes to the Consolidated Financial Statements in item 34 “Executive bodies” (Wacker Neuson Group Annual Report 2021).

Measures and transactions of fundamental importance must be approved by the Supervisory Board as set down in the rules of procedure for the Executive Board and/or the Articles of Incorporation. They are also communicated to shareholders and the capital market in a timely manner, thus ensuring that decision-making processes remain transparent – also throughout the year – and capital market players are kept appropriately up to date.

Supervisory Board
The Supervisory Board advises the Executive Board in key decisions, monitors its activities, appoints Executive Board members and relieves them of their duties. It has set an age limit of 62 years for members of the Executive Board.

Drawing on support from the Presiding Committee and in consultation with the Executive Board, the Supervisory Board develops long-term succession plans for Executive Board positions. Succession planning is discussed internally within the Supervisory Board, in particular by the Presiding Committee, which continually monitors the capabilities of the Executive Board and identifies any need for additional competencies at an early stage. When making any decisions regarding the composition of the Executive Board, the Supervisory Board considers the terms of office of the current members of the Executive Board and any extension options as well as the areas of responsibility that will likely need to be filled and the company's strategic plans.

With regard to the need for new Executive Board members moving forward, the Supervisory Board aligns with the Executive Board to focus on identifying and professionally developing individuals from the next management levels within the company. To this end, regular talks are held with different managers in the Group to determine, in collaboration with the Executive Board, whether these individuals are suited for higher-level executive positions and, where necessary, to ensure suitable candidates have access to targeted development measures.

As such, the Supervisory Board and the Executive Board consult regularly about specific potential successor candidates. Based on Supervisory Board and Executive Board consultations and one-on-one discussions, the Supervisory Board and/or the Presiding Committee draw up profiles for upcoming vacancies outlining the key qualities/skills and qualifications required of potential candidates. The chairperson of the Executive Board is also included in this process, unless his/her position is being profiled. Where necessary, external consultants are brought in to provide the Supervisory Board and/or the Presiding Committee with support in drawing up the requirements profiles and/or choosing suitable individuals. If a position on the Executive Board has to be filled at short notice, internal and external candidates are considered in parallel and selected in an appropriate process tailored to the specific situation.

The Supervisory Board has six members. In accordance with the agreement on employee representation in the Wacker Neuson SE Supervisory Board and the German One-Third Participation Act (Drittelbeteiligungsgesetz), four of these are shareholder representatives and two are employee representatives. Taking the company-specific ownership structure into consideration, the composition of the Supervisory Board reflects the company's international focus, the need to avoid conflicts of interest, the need for an appropriate number of Supervisory Board members considered independent by the Supervisory Board, the age limit of 75 for Supervisory Board members as defined by the Supervisory Board, and the principle of diversity.

The following situation is noted, which is also described in the Group Management Report: A pool agreement is in place between some of the shareholders of the Wacker and Neunteufel families. The parties to this pool agreement collectively hold about 58 percent of the shares of Wacker Neuson SE and can thus jointly (but not individually, i.e., individual members of the pool agreement acting in isolation) control the company. In accordance with the provisions of the pool agreement, each party to the pool agreement must exercise its right to vote and submit proposals at the Annual General Meeting such that two Supervisory Board members nominated as shareholder representatives by the Wacker family and two by the Neunteufel family are always elected. The shareholder representatives thus elected are, however, not bound in any way to the directions of individual, several or all of the parties to the pool agreement, and any and all decisions they make within the Supervisory Board are made exclusively in the company's interests.

Even though these shareholder representatives always enjoy the special trust of the parties to the pool agreement appointing them, they are not, in the Supervisory Board's view, in any personal or business relationship with a controlling shareholder which could lead to a fundamental conflict of interest.

To this extent, the Supervisory Board regards the definition of the term "independence" as outlined in DCGK 2020 as well as the indicators and/or criteria framing a lack (or alleged lack) of independence as defined therein to be factually incorrect. Since, as previously stated, all shareholder representatives gear all of their decisions as members of the Supervisory Board exclusively toward the interests of the company, the Supervisory Board deems them to be generally independent of the company, the Executive Board and the controlling shareholders – also in view of and especially with regard to the terms and understandings as outlined above.

The terms of office of all Supervisory Board members, who were all most recently reelected or, in the case of employee representatives, reappointed during the period under review, run until the close of the AGM that tables a resolution to formally approve the actions taken by the company in fiscal 2024, but no longer than for six years. The members of the Supervisory Board have been in office for the following periods: Hans Neunteufel since October 2007, Kurt Helletzgruber since October 2007 (mandate suspended on secondment to the Executive Board from December 2020 to June 2021), Christian Kekelj (employee representative) since June 2017, Prof. Dr. Matthias Schüppen since May 2014, Elvis Schwarzmair (employee representative) since August 2002, and Ralph Wacker since May 2014. Further details on individual members of the Supervisory Board are disclosed in the Notes to the Consolidated Financial Statements, item 34 "Executive bodies" (Wacker Neuson Group Annual Report 2021).

The principles of cooperation within the Supervisory Board are governed by the rules of procedure for the Supervisory Board. These rules reflect the recommendations of the German Corporate Governance Code and – as an integral part of the supervisory and control process – provide for clear and transparent procedures and structures. The rules of procedure were updated in March of the year under review and have been publicly available on the company's website since then. The Supervisory Board regularly assesses the effectiveness of its own work and the work of its committees. An assessment to this effect was again carried out at the start of the reporting period. To this end, all members of the Supervisory Board complete a detailed survey to rate the different aspects of the committees' work and to also compare it with the previous year. Any areas that have markedly deteriorated since the previous year or which are rated as unsatisfactory in general are discussed in detail in plenary meetings and improvement measures are defined.

The Supervisory Board reaches decisions based on a simple majority of votes cast unless other legal provisions apply. In the event of a tie, the resolution or nomination proposal shall be deemed rejected; the chairperson shall not have the casting vote. The chairperson of the Supervisory Board convenes and steers Supervisory Board meetings and generally coordinates the activities of the Supervisory Board and its committees.

The Supervisory Board defines the Executive Board's information and reporting duties in detail. The core areas of collaboration between the Executive Board and the Supervisory Board as well as specific details on the Supervisory Board's activities and its committees are disclosed in the → report by the Supervisory Board, Wacker Neuson Group Annual Report 2021, p. 8 ff.).

Composition and mode of operation of committees
In contrast to the Executive Board, the Supervisory Board forms two committees: the Presiding Committee and the Audit Committee.

The responsibilities of the Presiding Committee include in particular submitting proposals for Executive Board member appointments, terminations and mandate extensions, for Executive Board remuneration and the remuneration system, and for preparing measures to conclude, amend or terminate contracts with Executive Board members. The Presiding Committee members are Mr. Hans Neunteufel, Prof. Dr. Matthias Schüppen and Ralph Wacker. Mr. Neunteufel is Chairman of the Presiding Committee.

The Audit Committee maintains close contact with the auditor. It appoints the auditor to review the Annual and Consolidated Financial Statements, identifies the focal points of the audit and receives the reports. Furthermore, the Audit Committee negotiates the fee with the auditor, assesses their independence and additional services they provide, and submits a proposal to the Supervisory Board for the auditor appointment to be approved by the AGM. It prepares the Supervisory Board discussions and resolutions required to approve the Annual and Consolidated Financial Statements, and to review the Executive Board's report on related third-party disclosures, to review the non-financial Group report and – in future – the remuneration report. It supports and monitors the Executive Board in particular in relation to questions about the accounting process, the internal control system, the risk management system, the internal auditing system, and compliance. The Audit Committee members are Mr. Kurt Helletzgruber (from July 1, 2021; mandate previously suspended due to his secondment to the Executive Board), Prof. Dr. Matthias Schüppen, Ralph Wacker and Elvis Schwarzmair. The chairperson is Prof. Dr. Matthias Schüppen, who as a financial expert fulfills the requirements set out in Sections 100 (5) and 107 (4) of the AktG.

The committee chairpersons provide the Supervisory Board with regular and timely information about the committees' activities. The committees also reach decisions with a simple majority of votes cast. In the event of a tie, the resolution or nomination proposal shall be deemed rejected; the respective chairpersons shall not have the casting vote.

Further details on the activities of the Supervisory Board and its committees can be found in the current Supervisory Board report, which also reports on the participation of individual Supervisory Board and committee members in their sessions, as well as on any training or further education measures undertaken by members of the Supervisory Board. → Wacker Neuson Group Annual Report 2021, p. 8 ff.

Shareholders and the AGM
Shareholders exercise their rights, including voting rights, at the AGM. All shares in Wacker Neuson SE provide shareholders with full voting rights and are registered by name. Each share entitles its holder to one vote. The AGM agenda plus the reports and documents required for the AGM are published in good time – also on the company's website, where they can be easily viewed by shareholders.

This year's AGM is planned for June 3, 2022. Due to the COVID-19 pandemic, the 2022 AGM will again be held in virtual format (as was the case in 2021). The Executive Board makes it easier for shareholders to exercise their voting rights at the AGM by offering the opportunity to issue binding voting instructions to proxies named by the company. Shareholders can also do this during the virtual AGM via a password-protected online service. Information on how to vote by proxy before the AGM takes place will additionally be included in the invitation to the AGM meeting. It is also possible to submit a postal vote via the password-protected online service. These proxies named by the company are also available during the AGM to shareholders registered with or using the password-protected online service. Furthermore, it is also possible to delegate voting rights to financial institutions, shareholder associations and other third parties.

Accounting and auditing
The Consolidated Financial Statements of Wacker Neuson SE are prepared in line with the International Financial Reporting Standards (IFRS). The Annual Financial Statements and the Combined Management Report of Wacker Neuson SE and its Group are prepared in accordance with the German Commercial Code (HGB).

The Supervisory Board proposes the auditor for appointment at the AGM, based on a recommendation from the Audit Committee. Prior to making its proposal, the Supervisory Board obtains a certificate of independence from the auditor in question.

The Chairman of the Audit Committee has asked the auditor to immediately report to the Audit Committee all significant findings or events material to their duties that were identified during the audit. Furthermore, the auditor must report and record in the auditor's report any facts uncovered during the audit that could indicate that the information disclosed in the declaration of compliance with the German Corporate Governance Code issued by the Executive Board and Supervisory Board may be inaccurate.

Risk management
Responsible handling of business risks facing the Group and the company is, as always, a crucial part of sound corporate governance. The Executive Board and the Supervisory Board therefore continually monitor the Wacker Neuson Group's internal control and risk management system along with the accompanying reporting mechanisms.

Specific details on risk management within the Wacker Neuson Group are disclosed in the Risk Report in the Combined Management Report (Wacker Neuson Group Annual Report 2021).

Transparency
Regular, active dialog with our shareholders and other stakeholders is one of the cornerstones of our corporate governance policy. We provide shareholders, financial analysts, shareholder associations and the media with information about business developments and significant changes within the company promptly, regularly and with the greatest possible transparency. We are fully committed to a policy of active and honest communication.

As stipulated by the German Securities Trading Act (WpHG) and the German Corporate Governance Code, we provide information on our company's business development and financial situation four times a year. This takes the form of one Annual Report, one half-year report and two quarterly reports. The Supervisory Board and/or the Audit Committee discuss these reports with the Executive Board prior to their publication. In addition, the Executive Board answers shareholders' questions at the AGM. We also use our Internet platform as a way of keeping our stakeholders up to date. The most recent press and ad-hoc releases, financial reports and financial calendar detailing important events throughout the year are permanently available on → www.wackerneusongroup.com under Investor Relations. Interested parties can join our distribution list to receive regular updates.

Managers' transactions and major holdings of voting rights
Wacker Neuson SE publishes reports on managers' transactions pursuant to Art. 19 of EU Regulation No 596/2014 on market abuse. We use these reports to provide immediate information about securities transactions with regard to Wacker Neuson shares made by members of the Executive or Supervisory Boards as well as by individuals and legal entities closely related to members of these bodies. This information is also disclosed on the company's website → www.wackerneusongroup.com under Investor Relations / Corporate Governance. Also under Investor Relations / IR News, we immediately publish information from shareholders regarding the purchase or sale of major voting rights in line with Section 33 WpHG and the holding of financial and other instruments in line with Sections 38 and 39 WpHG.

Remuneration report
After refraining from publishing remuneration details for individual Executive and Supervisory Board members in previous years – based on a resolution approved by the AGM – in the interests of their privacy, the company will draw up a remuneration report for the Executive Board and the Supervisory Board as required by law for the first time for fiscal 2021 and publish it on the company website → www.wackerneusongroup.com under Investor Relations / Corporate Governance.

The overall remuneration payable to the Executive Board and the Supervisory Board is disclosed at the above-mentioned link and in the Notes to the Consolidated Financial Statements in item 35 "Related party disclosures" → Wacker Neuson Group Annual Report 2021.

Diversity – Declaration regarding fixed targets for the proportion of women at management level
When appointing members to the Executive Board and the Supervisory Board, the company focuses on the qualifications and personal skills of potential women and men candidates particularly in relation to the company's specific situation. In the process of evaluating competency profiles, the Supervisory Board also places particular emphasis on the international nature of the company's business operations and the principle of diversity, also in relation to the age, gender, educational background and professional experience of women and men candidates. In this regard, the company does not pursue an explicit diversity concept as set out in the CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz). For further information on this and to avoid repetition here, refer to the information in Section C.1 of the German Corporate Governance Code in the above declaration of compliance.

Wacker Neuson SE is required, as a listed company (albeit not one subject to equal codetermination as set out in Section 96 (2) AktG), to declare fixed targets for the proportion of women on the Supervisory Board, the Executive Board, and on the two management levels below the Executive Board. The Executive Board and the Supervisory Board have already examined this issue several times.

When selecting and appointing members of the Executive Board, the Supervisory Board focuses on the qualifications and personal skills of potential women and men candidates, paying special attention to the company-specific situation. In this context, gender does not play a major role in the decision-making process. There are currently no women on the Wacker Neuson SE Executive Board (current percentage: 0 percent). The majority of the active members of the Executive Board were appointed for an initial three-year term of office this year, whereby the Supervisory Board generally prefers longer terms of office for Executive Board members. Therefore, in the interests of continuity at executive level and confidence in the appointments to the Executive Board as well as in view of the above-mentioned prioritization of qualifications, the Supervisory Board does not wish to tie itself in advance to a gender quota in its personnel-related decisions over the next five years.

In addition to this, as a manufacturer of light and compact equipment, the Wacker Neuson Group operates at the interface between mechanical engineering and the construction industry, two sectors with very low representation of women overall. As such and relatively speaking, the Supervisory Board has found it more difficult to win suitably highly qualified women for managerial positions and in particular for the Executive Board.

The Supervisory Board therefore refrained, in a corresponding resolution adopted in 2021, from setting a target percentage for the representation of women on the Executive Board that would see the number of women rise from the present level by December 31, 2026 (i.e. target percentage remains 0 percent).

Similarly, the Supervisory Board is focused on the qualifications and personal skills of potential men and women candidates when selecting and appointing members to the Supervisory Board, paying special attention to the company-specific situation (petition rights and voting obligations of key shareholder groups governed by a pool agreement). In this context also, gender is not the main priority in the decision-making process. There are currently no women on the Wacker Neuson SE Supervisory Board, which was only appointed in the previous reporting period for a term ending at the close of the 2025 AGM (current percentage: 0 percent). In light of the above-mentioned emphasis on qualifications and the company-specific situation, the Supervisory Board does not wish to generally tie its composition in advance to a specific gender balance. In a corresponding 2021 resolution, the Supervisory Board thus refrained from setting a target percentage for the representation of women on the Supervisory Board that would see the number of women rise from the present level by December 31, 2026 (i.e. target percentage remains 0 percent).

In 2017, the Executive Board approved targets for the proportion of women appointed to managerial positions at Wacker Neuson SE, with a target achievement date of December 31, 2021. The target percentage for line one below the Executive Board was set at 27 percent, and the target for line two below the Executive Board was set at 20 percent. Both figures referred to staff who are directly employed by the company Wacker Neuson SE.

As a rule, when making appointments to managerial positions, the Executive Board focuses – despite the target percentages that have been set – on the qualifications and personal skills as well as the experience of potential women and men candidates. In the process of evaluating competency profiles, however, particular emphasis is also placed on the principle of diversity, also in relation to the gender, age, educational background and professional experience of women and men candidates. A few newly created positions and new vacancies have been filled by women candidates in the time since the target percentages were defined. It has not been possible, however, to identify or hire sufficient ideal women candidates from inside or outside the company to achieve the targets for line one below the Executive Board. As of December 31, 2021, the proportion of women managers in line one below the Executive Board was, at 16.7 percent, therefore below the target figure. In line two below the Executive Board, on the other hand, the figure was well above target, at 41.7 percent.

The Executive Board approved the following targets for the proportion of women appointed to managerial positions at Wacker Neuson SE over the next five years, which it intends to achieve by December 31, 2026. These targets refer as before to staff who are directly employed by the company Wacker Neuson SE. The target percentage for line one below the Executive Board is 22.3 percent (currently 16.7 percent) and the target for line two below the Executive Board is 25.0 percent (currently 41.7 percent).

3. Corporate governance best practices

Compliance – principles of sound business and financial governance

Looking beyond the guidelines and recommendations of the German Corporate Governance Code, the Wacker Neuson SE Executive Board is committed to conducting its business worldwide in a lawful manner, along socially and ethically responsible lines. Which is why we have developed a Group-wide strategic mission statement that informs the conduct of each and every individual in the Group – from the Executive Board members through managers to employees. This mission frames the way we do business for shareholders, customers, business partners, the general public and our employees alike.

Values such as integrity, openness, honesty and respect for other people and our surroundings inspire every one of us to succeed, excel and embrace sustainable business practices. More information can be found online at → www.wackerneusongroup.com under The Group / Sustainability.

Wacker Neuson has a Chief Compliance Officer. Together with the Compliance Office, this person serves as a contact point and advisor for compliance issues and is responsible for implementing a compliance management system geared towards the specific requirements of the Wacker Neuson Group. In this context, we defined the "Principles of our company ethics" – a mission statement outlining our commitment to integrity and to systematic compliance with statutory and regulatory requirements. These principles are explained in greater detail in the Code of Conduct for our employees. Both of these documents are available to the public at → www.wackerneusongroup.com under The Group / Compliance.

Compliance with these principles is also an essential foundation for trusted, long-term business relationships along our entire value chain. Our commitment in this area is set down in our code of conduct for suppliers, which can be found at → www.wackerneusongroup.com under The Group / Compliance.

Corporate Social Responsibility (CSR) – Responsibility for environment and society

The Wacker Neuson Group assesses the effects of its value-adding processes on the environment and takes appropriate action to conserve resources as effectively as possible. As a matter of key importance, efforts here also focus on reducing costs associated with energy consumption and obtaining certification for production sites in line with ISO 50001 and ISO 14001 within the EU.

The Wacker Neuson Group aims to continue developing innovative, value-adding products and services to the same high levels of quality and reliability, while implementing sustainable and environmentally sound production and work processes.

For 2021, we have prepared a separate non-financial Group report, which will be published at the same time as this annual report and is available on the company website (in line with Section 315b HGB; CSR Directive Implementation Act).

Munich, March 24, 2022

Wacker Neuson SE

The Executive Board

Dr. Karl Tragl Chairman of the Executive Board Chief Executive Officer (CEO)	**Felix Bietenbeck** Chief Operations Officer (COO) Chief Technology Officer (CTO)
Christoph Burkhard Chief Financial Officer (CFO)	**Alexander Greschner** Chief Sales Officer (CSO)

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The following graphics are provided for information purposes only. Market statistics and page references have not been audited and are therefore not part of the Combined Management Report. Adjectives are used for comparative purposes within the text, which can be defined as follows: “light”, “slight”, “moderate” correspond to a change of less than or equal to 5 percent; “considerable”, “marked”, “clear”, “significant” and “strong” indicate changes higher than 5 percent. “Medium term” describes a timeline of 5 years or less; “long term” refers to a timeline beyond 5 years. Accounting methods, key indicators and financial terms are defined in the glossaries at the end of this annual report. Due to differences attributable to rounding, some of the individual values indicated may not add up precisely to the given total. Similarly, percentages added up may not correspond precisely to 100.0%. Furthermore, there may be slight discrepancies relative to the values provided in the Notes to the Consolidated Financial Statements.

Combined Management Report of Wacker Neuson SE and its Group for Fiscal 2021

Unless otherwise stated, the information contained in this Management Report refers to the Wacker Neuson Group. The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU, in addition to the provisions of the German Commercial Code (HGB) set forth in Section 315e (1).

The Annual Financial Statements of Wacker Neuson SE (which is structured as a holding company) have been prepared in accordance with the provisions of the HGB and the German Stock Corporation Act (AktG). The Management Report of Wacker Neuson SE is included in this Group Management Report in line with Section 315 (5) HGB; further details are disclosed in the section "Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB)", → page 42. The risks and opportunities facing Wacker Neuson SE cannot be differentiated from those facing the Group.

The Wacker Neuson Group

The Wacker Neuson Group is an international manufacturer of light and compact equipment. Complementing its broad portfolio of products, the Group also offers spare parts plus a wide range of support and value-add services. Production is distributed across seven locations worldwide, with sites in Germany, Austria, Serbia, the US and China. Products are distributed globally via affiliates, Wacker Neuson sales and service stations and a network of sales partners.

Segment reporting is divided into three regions – Europe (EMEA), the Americas and Asia-Pacific.

Revenue is also reported according to the three strategic business segments of light equipment, compact equipment and services.

BUSINESS SEGMENTS

Light equipment	Compact equipment	Services
▪ Concrete technology ▪ Compaction ▪ Worksite technology	▪ Track excavators, mobile excavators ▪ Wheel loaders, tele wheel loaders ▪ Telescopic handlers ▪ Skid steer loaders ▪ Wheel and track dumpers	▪ Repair, maintenance, spare parts ▪ Digital service solutions ▪ e-Business ▪ Rental ▪ Leasing, financing ▪ Used equipment ▪ Training

Brands

Wacker Neuson Group is the organization's umbrella brand, used for all overarching Group communications. The Group distributes its products and services under the three brands Wacker Neuson, Kramer and Weidemann. The broadest portfolio, comprising light and compact equipment plus services, is distributed globally under the Wacker Neuson brand. Under the Kramer brand, the Group delivers all-wheel-drive wheel loaders, tele wheel loaders and telescopic handlers along with complementary services targeted at the construction and agriculture industries. Products are distributed via two dealer networks, mostly serving the EMEA region at the present time. Mainly active on the European agricultural market, the Weidemann brand distributes compact, articulated Hoftrac® farm loaders, wheel loaders, tele wheel loaders and telescopic handlers via a specialist dealer network.

GROUP BRANDS

Wacker Neuson Group

WACKER NEUSON all it takes!

KRAMER on the safe side

WEIDEMANN designed for work

Construction industry, gardening and landscaping firms, municipal bodies, recycling, railroad/track construction, etc.

Agriculture, tree nurseries, horse breeders, municipal bodies, etc.

Industries

Wacker Neuson is the partner of choice across a broad spectrum of industries, targeting in particular the construction, gardening and landscaping, agricultural, municipal, recycling, rail transport and manufacturing sectors.

TARGET INDUSTRIES (SELECTION)

	Light equipment	Compact equipment
Overground and residential construction	■	■
Maintenance/repairs/redevelopment	■	■
Infrastructure (road and bridge construction)	■	■
Infrastructure (waste water management, network construction)	■	■
Demolition	■	■
Gardening and landscaping	■	■
Manufacturing/recycling	■	■
Municipal services / building yards	■	■
Cargo handling / port logistics		■
Exhibition and events companies	■	■
Agriculture		■

Organizational and legal structure

Wacker Neuson SE is a European company (Societas Europaea) 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.

The Consolidated Financial Statements of Wacker Neuson SE are prepared in accordance with the International Financial Reporting Standards (IFRS) as applicable in the EU. 46 companies, including the holding company, are fully consolidated in these statements.

Wacker Neuson SE operates as a management holding company with a central governance structure. It directly or indirectly holds the shares in its affiliates, which are mainly sales offices and production sites. The Executive Board of the holding company is responsible for managing the Group. Wacker Neuson SE also manages various Group functions.

The executive bodies of the affiliates report either directly to Group management or to the regional / sales cluster heads, who in turn report directly to Group management.

Refer to → General information on accounting standards, page 83 ff. in the Notes for detailed information on the legal structure.

PERFORMANCE INDICATORS (5-YEAR-PERIOD)

	2021	2020	2019	2018	2017
Revenue in € million	1,866.2	1,615.5	1,901.1	1,710.0	1,533.9
EBIT margin as a %	10.3	4.7	8.1	9.5	8.6
EBT margin as a %	10.0	3.3	7.2	11.9	8.2
Net working capital at Dec. 31 as a % of revenue	26.7	30.8	40.1	37.7	34.9
ROCE I[1] as a %	13.3	5.4	9.0	11.5	10.1
Equity ratio as a %	55.4	57.3	55.8	63.8	68.7
Net financial debt in € million	-0.8	122.9	439.0	204.7	149.7
Gearing as a %	-0.1	10.1	35.8	16.8	13.4
Free cash flow in € million	149.1	329.0	-115.7	-0.3	99.0

[1] ROCE I = EBIT as a % of capital employed at Dec. 31, see page 38. For further definitions, see Financial Glossary.

Corporate governance

As a centralized function, the controlling department of the holding company is responsible for the Group's internal controlling processes. It monitors deviations between "as is" and "to be" figures, primarily based on the development of revenue, profit figures and net working capital reported by affiliates. In addition, it prepares key performance indicators at Group level. The control system is dynamically adapted as required to reflect developments both within and beyond company walls. Decisions in relation to projects initiated by the company, for example in response to changing market and customer requirements, are generally made by management committees. These committees include members of the Executive Board as well as first- and second-line managers.

The overarching aim is to create a lasting increase in company value. Key targets and performance indicators for the Group and its affiliates are revenue, earnings before interest and taxes as a percentage of revenue (EBIT margin) and the net working capital ratio. To also highlight the financial result more clearly, profitability analyses at Group level additionally focus on earnings before taxes (EBT).

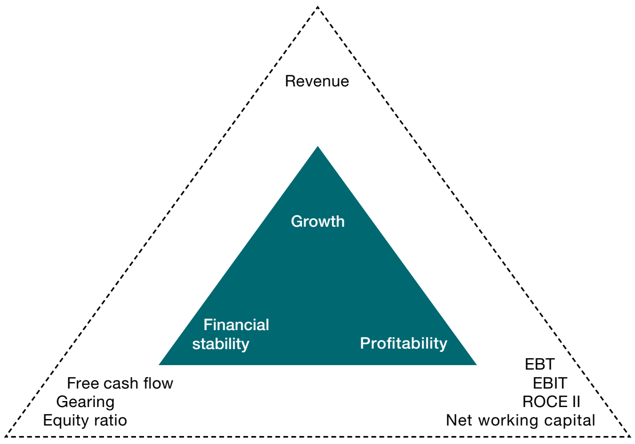
Financial stability is a high priority for the Group. Key balance sheet indicators include equity ratio, net financial debt and gearing (net financial debt in relation to equity). Cash flow from operating activities and free cash flow are important indicators of the company's ability to finance itself. In addition, the company governs its financing structure, dividend payment policy and return on capital employed before taxes (ROCE I).

The table above compares the development of these key indicators over a number of years. The terms are explained in the Financial Glossary.

In addition to these financial performance indicators, key leading operational indicators are regularly monitored and analyzed. Important indicators for the construction business include, for example, future investment plans in the construction equipment and rental industries, the number of building permits issued and the development of real-estate prices. Leading operational indicators for the European agricultural industry include milk, food and animal feed prices.

The Group monitors the development of these leading indicators on an ongoing basis and uses them to respond early to global economic developments and dynamically adapt its course accordingly.

PERFORMANCE INDICATORS



General background

Overall economic trends

- COVID-19: Global economic upturn despite ongoing pandemic
- Overstretched supply chains and raw material shortages stall growth and drive inflation

Following the coronavirus-triggered collapse in 2020, the global economy experienced a strong recovery in 2021 as more and more restrictions were lifted. According to the International Monetary Fund (IMF), the global economic recovery continued into the fourth quarter even as the pandemic resurged. Global gross domestic product (GDP) increased by 5.9 percent in 2021 following a decline of 3.1 percent in the previous year. The growth figure for advanced economies amounted to 5.0 percent (2020: -4.5 percent), and for emerging market and developing economies it was 6.5 percent (2020: -2.0 percent). Whereas supply chain disruptions proved to be the main throttle on growth in advanced economies, low-income developing countries were faced with worsening pandemic dynamics due to slower vaccine rollouts. This negative trend was partially offset by higher growth rates among commodity-exporting emerging market and developing economies. The IMF expresses concern over sharp increases in inflation rates in the second half of the year triggered by a rebound in commodity prices. It also cites pass-through of price increases resulting from supply bottlenecks from producers to consumers as a further cause of concern.

With growth of 5.2 percent, the eurozone lagged behind the US (5.6 percent) in 2021. Yet the COVID-19 pandemic had a markedly more negative impact on growth in the eurozone in the previous year (eurozone: -6.4 percent; United States -3.4 percent).[1] The robust performance in the US was driven by strong consumer spending and high levels of capital expenditure.[2]

In its fall forecast, the Federal Government attributed the relatively weak rate of growth in Germany to supply bottlenecks and the sharp rise in energy prices. Similar to the IMF, which expects growth of 2.7 percent for Germany in 2021, the Federal Government is anticipating a rise of 2.6 percent. The economic recovery was primarily driven by private consumption. In industry, however, unprecedented shortages of key inputs weighed heavily on manufacturing output, particularly in the third and fourth quarters of 2021.[3]

REAL GDP (CHANGE FROM PREVIOUS YEAR)

AS A %

	2021	2020
World	5.9	-3.1
Eurozone	5.2	-6.4
Germany	2.7	-4.6
USA	5.6	-3.4
South America	6.8	-6.9
China	8.1	2.3
Russia	4.5	-2.7
Middle East and Central Asia	4.2	-2.8
South Africa	4.6	-6.4

Source: IMF, January 2021

China recorded economic growth of 8.1 percent in 2021. According to information from Germany Trade and Invest, this was mainly down to a strong H1 baseline. From the summer, problems started to accumulate for the Chinese economy. In addition to the strict zero-COVID policy of the People's Republic, which continually led to closures of airports and container ports as well as supply chain disruptions, the high level of indebtedness of Chinese firms such as Evergrande resulted in uncertainties. The fall of 2021 also saw the introduction of power rationing, which affected over half of the country. Once the situation had eased at the start of November, coal and fuel prices increased dramatically.[4]

Currency trends

Whereas the euro was able to rally in the first half of 2021 on the back of its gains in 2020, news of the fourth coronavirus wave in Europe placed it under pressure in the fall. The common European currency thus lost ground against both the US dollar and the currencies of other established economies like the UK, Switzerland, Canada and Australia – and against the currencies of emerging countries like China, India, Russia and South Africa. After the US Federal Reserve signaled in December the possibility of three interest rate hikes over 2022 on the back of high inflation, the US dollar, buoyed by the prospect of higher interest rates in the US, gained further ground on the euro. Also in December, the European Central Bank had ruled out higher interest rates, responding to rising inflation by moderating its bond purchase program only. This currency trend should have a positive impact on the export-heavy German economy.

PERFORMANCE OF KEY CURRENCIES AGAINST THE EURO (END OF YEAR RATES)

1 Euro equals

	2021	2020	Change as a %
US dollar (USD)	1.1326	1.2271	-7.7
Swiss franc (CHF)	1.0331	1.0802	-4.4
British pound (GBP)	0.84028	0.8990	-6.5
Japanese yen (JPY)	130.38	126.4900	3.1
Australian dollar (AUD)	1.5615	1.5896	-1.8
Brazilian real (BRL)	6.3101	6.3735	-1.0
Chinese yuan (CNY)	7.1947	8.0225	-10.3
Indian rupee (INR)	84.2292	89.6605	-6.1
Canadian dollar (CAD)	1.4393	1.5633	-7.9
Russian ruble (RUB)	85.3004	91.4671	-6.7
South African rand (ZAR)	18.0625	18.0219	0.2

Source: Notes to the Consolidated Financial Statements, page 88.

[1] Source: IMF, October 2021 and January 2022, WORLD ECONOMIC OUTLOOK
[2] Source: World Bank, December 2021, Global Monthly
[3] Source: German Federal Ministry of Economics and Technology, press release dated Oct. 27, 2021
[4] Source: GTAI, Economic Outlook for China dated Nov. 18, 2021

Overview of construction and agricultural industries

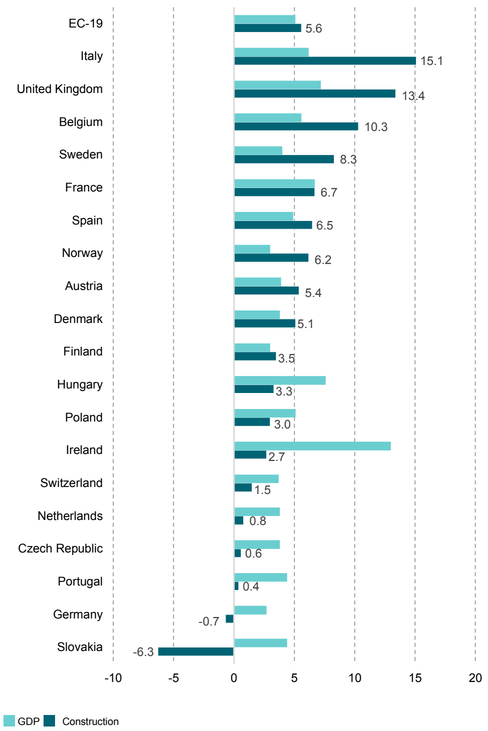
- Rapid recovery of global construction sector
- Construction equipment sector sees return to record level of sales
- Record volume of orders in the agricultural equipment sector

Business performance of the Wacker Neuson Group is largely shaped by developments in the global construction and agricultural industries.

According to a study by the data provider Research and Markets, the construction industry recovered from the effects of the COVID-19 pandemic quickly in 2021, recording growth of 9 percent relative to the previous year.[1]

CHANGES IN GDP AND THE EUROPEAN CONSTRUCTION INDUSTRY 2021E

AS A %



Sources: Construction industry data: Euroconstruct, November 2021.
GDP data: International Monetary Fund, October 2021, contains updated figures from January 2022 for Germany, France, the UK, Italy and Spain.

According to Euroconstruct, construction activity in Europe grew by 5.6 percent, following a 4.7 percent decline in 2020, although the situation varied markedly from one country to another, however. Whereas a strong rebound was evident in most of the countries that had been hit hard by the effects of the COVID-19 pandemic during the previous year, including important markets like the UK, Italy, Belgium and Spain, a downturn was experienced in Germany in 2021, which had experienced robust performance in 2020. A surprisingly positive trend was observed in the countries of Northern Europe on the other hand. These had also maintained a sound footing in the first year of the pandemic and enjoyed strong growth again in 2021. Alongside residential construction, which saw strong growth in both new builds and renovations, infrastructure projects proved to be another strong growth driver. In the non-residential sector, a dynamic trend was evident in warehouse and agricultural building construction in particular.[2] The North American construction industry grew by 1.8 percent in 2021 according to data from Research and Markets, with this increase driven by the residential sector. Demand was fueled by low mortgage rates and strong demand for larger homes as well as the very low availability of housing stock on the market.[3]

The construction equipment industry continued to record moderate growth in 2021. In its report published in September 2021, the market research institute Off-Highway Research estimated that global sales of construction equipment in 2021 would be around 5 percent higher than the previous year. This would exceed the record level of sales set in 2018. China was the only major construction equipment market to shrink, declining by 2 percent. The market had, however, experienced disproportionately high growth of over 30 percent in 2020. For North America and Europe, Off-Highway Research predicted growth of +13 and +15 percent respectively.[4] For German suppliers, the German Engineering Federation (VDMA) gave a growth estimate of 5 percent for 2021.[5]

Record volume of orders in the agricultural equipment sector

Following on from the rapid recovery indicated by the business barometer published by the European umbrella association for the agricultural machinery industry (CEMA) in the second half of 2020, the sharp upwards trend continued into the first half of 2021, reaching a record level of +72 points in May and June. The mood among agricultural equipment manufacturers was buoyed by the very positive order intake, which remained at the same high level until the end of the year. They were also bolstered by the resulting record order backlog, which by November corresponded to a production time of 5.9 months – the longest period yet recorded by the business barometer. Whereas the high level of demand had already led to a significant reduction in inventory levels among dealers in 2020, it also fueled a downsizing in used equipment inventories in 2021. Sky-rocketing prices and supplier bottlenecks proved problematic for the industry, and these problems intensified in the second half of the year. Whereas just 31 percent of respondents foresaw their production coming to a halt due to a lack of components in August, this figure had risen to 53 percent by November. In view of the deteriorating supply situation, the mood became more subdued from July. The business barometer fell to a still high level of 56 points in December. Looking at 2021 as a whole, the respondents anticipated a growth level of 13 percent at the time of the survey in September. Sentiment was particularly positive in Italy, but also in other European markets like Poland, Germany and France.[6]

[1] Source: Research and Markets, March 2021, Construction Global Market Report
[2] Source: Euroconstruct, November 2021, Information on the Construction Industry
[3] Source: Research and Markets, November 2021, Construction in the United States of America – Key Trends and Opportunities to 2025
[4] Source: Off-Highway Research, September 2021, Global Construction Equipment Markets
[5] Source: VDMA, December 2021, Economic Situation, Construction Equipment and Building Material Machinery, Frankfurt
[6] Source: CEMA, Business Barometer May-December 2021

General legal framework

- Continued implementation of new technological requirements
- China IV emissions standard to come into force end of 2022
- New reporting requirement in force for taxonomy-eligible activities (EU taxonomy)

As a global supplier of light and compact equipment, the Wacker Neuson Group has to observe numerous national and international statutory guidelines governing environmental and user protection. Above all, these include provisions regulating exhaust gas emissions and ergonomics as well as noise and vibration-induced impact.

The company's product portfolio is thus reviewed on an ongoing basis and, if necessary, adapted to ensure compliance with new requirements and harmonized standards and norms. The aim is always to integrate the requirements outlined under new regulations as promptly as possible into processes and products.

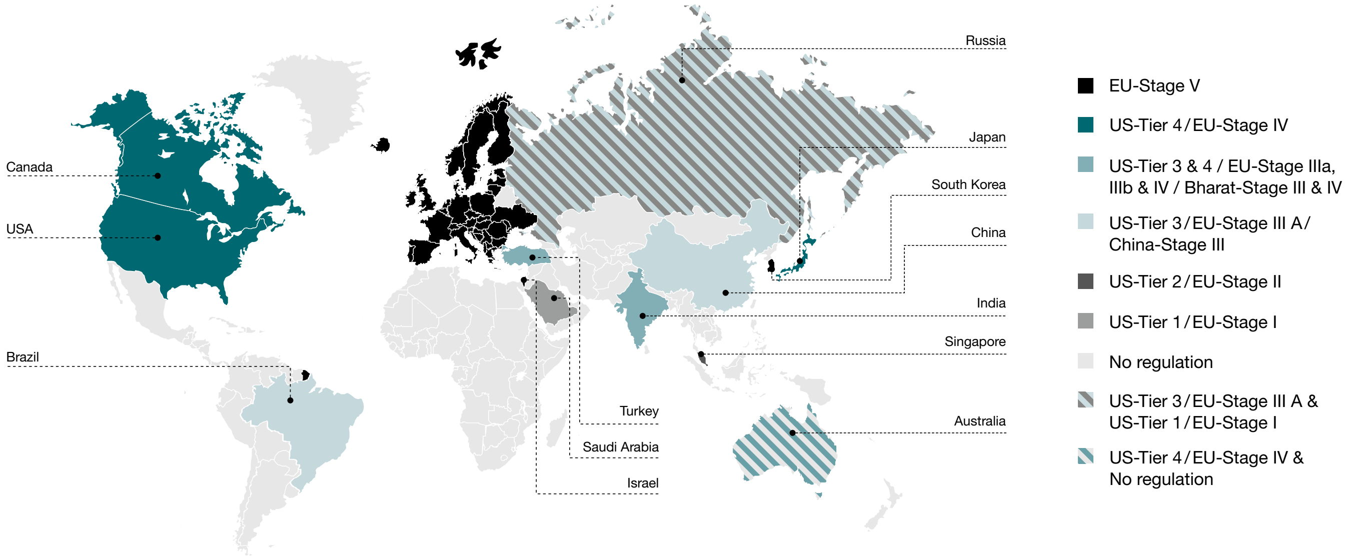
Emissions standards for light and compact equipment
Statutory exhaust emissions regulations have a major impact on the sale of compact equipment. These apply to diesel engines in non-road mobile machinery – in other words, construction equipment, forklifts and agricultural machines. The Tier 4 final emissions regulations in the US (mandated by the Environmental Protection Agency, EPA) and Stage V of Directive 97/68/EC in Europe are currently the strictest standards worldwide. Similar or older, and generally less stringent, emissions regulations are still in force in other markets.

The Group is currently preparing for the China IV emissions standard, which was finalized at the end of 2020 and will come into force at the end of 2022.

EU taxonomy requires disclosure of taxonomy-eligible activities for fiscal 2021
The Paris Climate Agreement of 2015 set the goal of limiting global warming in the 21st century to well below 2 degrees Celsius and, if possible, to no more than 1.5 degrees Celsius. Among other things, channeling global financial flows into sustainable activities is intended to support the achievement of this goal. The EU taxonomy thus sets out to increase transparency around business activities deemed "environmentally sustainable". In particular, by classifying which business activities are considered environmentally sustainable, the aim is to achieve certainty for investors and avoid greenwashing. The Taxonomy Regulation entered into force on July 12, 2020, empowering the EU Commission to adopt delegated acts to define technical screening criteria. On December 9, 2021, a delegated act on sustainable activities for climate change adaptation and mitigation objectives was officially published. In conjunction with Article 10 of the Delegated Act (EU) 2021/4987, Article 8 of the Taxonomy Regulation sets out the disclosure requirements for fiscal 2021. Reporting requirements for fiscal 2021 consist of the taxonomy-eligible business activities in relation to the first two of six environmental objectives defined to date, as well as the proportion of total Group turnover, capital expenditure (CapEx) and operating expenditure (OpEx) associated with these activities. Full reporting is then required for fiscal 2022, with additional reporting on taxonomy-aligned business activities in relation to all six environmental objectives and the corresponding key performance indicators. Detailed information about the EU taxonomy and the outcome of the assessment for fiscal 2021 is available in the → Non-Financial Group Report 2021.

Beyond that, the Group is currently not aware of any other legislative changes that would have a significant impact on its business activities.

TIGHTER EMISSIONS REGULATIONS FOR DIESEL ENGINES



The figure shows a simplified overview of emissions regulations for diesel engines in non-road mobile machinery that are not harmonized at global level and should provide an indication of the level of technology and/or similarities between emissions standards. Regulations are most stringent in Europe and North America. The stricter emissions regulations mandate a reduction in nitrogen oxide (NOx) and carbon monoxide (CO) levels as well as a reduction in particulate emissions.

Competitive position

- Differentiation from the competition through innovation and broad range of products
- Broad portfolio of battery-powered light and compact equipment

Differentiation from the competition through innovation and broad range of products
The global construction equipment market is very heterogeneous at both market and product level. The majority of the Group's competitors focus either on light equipment, compact equipment or heavy equipment (machines weighing over 15 tons). Some competitors offer both compact and heavy construction equipment. The Wacker Neuson Group's combined portfolio of light and compact equipment weighing up to 15 tons is one of the main differentiators that sets it apart from the competition. The Group's machines are aimed at professional users.

In the light equipment segment, the Group faces a variety of competitors, including Ammann, Bomag, Husqvarna and Weber. In the compact equipment segment, Wacker Neuson also competes with manufacturers such as Bobcat (Doosan), Kubota, Takeuchi, Yanmar, Manitou and JCB. Some international heavy equipment manufacturers such as Komatsu, Liebherr, Case New Holland, Caterpillar, Volvo CE, Sany or XCMG also offer compact equipment and are therefore part of the competitive landscape.

In addition, the Wacker Neuson Group operates in the agricultural equipment sector through its Weidemann and Kramer brands. Weidemann manufactures articulated wheel loaders and telescopic handlers. Through its partnership with John Deere (refer to → Strategic alliances, page 28), Kramer has markedly expanded its sales of machines for the agriculture industry in recent years, serving the sector with its portfolio of all-wheel-drive machines. In this sector, the Group competes with companies such as Schäffer, Manitou and JCB.

Broad portfolio of battery-powered light and compact equipment
Electromobility is framed by Strategy 2022 and also hardwired into the Group's technology roadmap for the coming years. With its zero emission product program, Wacker Neuson offers a broad portfolio of electrically powered light and compact equipment. This includes battery-powered rammers and vibratory plates for soil compaction, internal vibrators for concrete compaction, a track and a wheel dumper, a hybrid mini excavator, an all-electric mini excavator and wheel loaders for the construction and agricultural industries. The company's zero emission product portfolio paves the way for emissions-free, low-noise construction work in sensitive environments such as residential zones, tunnels, underground car parks and indoor areas. Not only do the products in this range offer enhanced protection for users and the environment, they are also easier to use, require less maintenance and have lower operating costs than equipment powered by conventional drives.

The Wacker Neuson Group believes that alternative drive concepts will play a key role in the future of the construction and agricultural equipment industries and remains committed to channeling above-average investments into this area. In light of the ambitious goals set out in the EU's Green Deal, the Group also expects the construction sector to be subject to more stringent regulations over the coming years. Enabled in part by the further advancements in battery technologies currently anticipated, battery-powered light and compact equipment is expected to experience a strong increase in market uptake. As such, the Wacker Neuson Group intends to firmly remain on its current strategic path and aims to further ramp up the development of new electrically powered machines (→ Research and development, page 50).

Strong market position with double-digit shares in some markets
The Group's strong market position for certain core product groups is built mainly on innovative strength, customer centricity, outstanding product and service quality, comprehensive product development and manufacturing know-how and an efficient sales and service network. With some core products, the Group has secured solid two-digit market shares.

Strategic alliances
The Group enters into alliances with industry-leading companies to expand its market presence more rapidly by accessing established sales networks, or to make targeted additions to its product portfolio by concluding agreements with OEMs.

Bomag
Since 2021, the Group has been cooperating with Bomag, a manufacturer of compaction equipment, in the area of modular light equipment batteries. The solution developed by Wacker Neuson, which is currently used in ten concrete and compaction technology products, is now also available for Bomag products. It will allow customers of both brands to benefit from simplified construction site logistics and CAPEX savings when they invest in battery-powered equipment. The aim of the "Battery One" alliance is to accelerate the deployment of emissions-free equipment on construction sites. Additional partners will be invited to join the alliance.

Dingo Mini Diggers
The strategic alliance between Dingo Mini Diggers Pty Ltd and Wacker Neuson Australia has been in place since 2020. Since then, the "Wacker Neuson Mini Loader by Dingo Australia" have been available in Australia, New Zealand and the Pacific Islands. These compact, powerful machines are available as track or wheel models and can be paired with a host of different attachments.

John Deere
In fiscal 2017, Group affiliate Kramer and John Deere entered into a strategic alliance for the distribution of telescopic handlers and wheel loaders for the agricultural sector. The agreement covers the sale of Kramer-branded "green line" compact equipment. The machines are distributed via the John Deere dealer network under the Kramer brand. Annual sales volumes have continuously increased since the start of the cooperation, including in 2020 despite the severe impact of the COVID-19 pandemic. This allowed Kramer to significantly expand its market share both in wheel loaders and telescopic handlers. Kramer was able to get numerous dealers on board in recent years in Central European markets, as well as in Southern Europe, the UK and Scandinavia. Additional dealers have also been onboarded in Eastern Europe and Russia. Buoyed by the positive feedback to this strategic alliance in Europe, the two partners decided to expand it to other regions of the world – starting with the first dealer sign-ups in Australia and New Zealand in 2021.

The agricultural equipment market is growing. John Deere recommends Kramer to its sales partners as the preferred supplier for compact wheel loaders, tele wheel loaders and telescopic handlers. Through long-term collaboration with John Deere dealers, Kramer is aiming to sustain and expand its market reach.

In addition, the Wacker Neuson Group has an alliance with the construction equipment division of John Deere for the distribution of mini excavators and compact excavators under the “Deere” brand in Australia and select Southeast Asian countries, even though the latter are not currently being targeted in view of the COVID-19 pandemic.

Trackunit

The Group is continuing to expand its digital offering. Trends like the digital networking of products and services play a key role in adding value to customers (refer to → Segment reporting by business segment: Services, page 49). To support these efforts, the Wacker Neuson Group formed a strategic alliance with the Danish telematics specialist Trackunit in 2018 for the development and use of telematics systems and mobile apps for compact equipment.

Wirtgen/Hamm

Hamm AG, a member of the Wirtgen Group, which was acquired by John Deere in 2017, entered into a strategic alliance with Wacker Neuson in 2015 for the manufacture of tandem rollers and compactors in line with technical and design specifications developed by Wacker Neuson. This future-oriented cooperation complements the Wacker Neuson Group’s product portfolio in the soil and asphalt compaction segment.

Zeppelin

Wacker Neuson has been manufacturing mobile excavators in the 6.5- and 11-ton weight categories for Zeppelin Baumaschinen GmbH since 2018 as part of a cooperation agreement. The mobile excavators are manufactured according to Zeppelin’s design specifications at Wacker Neuson’s plant in Hörsching, near Linz, and distributed in selected European countries via Zeppelin’s branch network.

Business trends

- Double-digit revenue growth and clear rise in profitability
- Supply chain bottlenecks dampen growth
- Positive development of cash flow leads to complete reversal of net financial debt

General statement on business performance

In fiscal 2021, business developments at the Wacker Neuson Group recovered quickly from the 2020 drop in revenue triggered by the COVID-19 pandemic. The Group reported revenue of EUR 1,866.2 million, which is an increase of 15.5 percent relative to the previous year (2020: EUR 1,615.5 million). Especially from the second quarter onwards, however, overstretched and repeatedly disrupted supply chains dampened the pace of growth, which meant the Group fell just short of 2019 levels despite strong customer demand. Bottlenecks in raw material and component supplies and a rapid reduction in shipping capacities delayed the completion and delivery of products. However, the Group largely managed to avoid extended production shutdowns. Adjusted for currency effects, revenue rose 15.8 percent. The order book reached a new high at the end of the year following a dynamic increase in orders.

In Europe, revenue increased to EUR 1,477.5 million, a rise of 14.6 percent (2020: EUR 1,289.7 million). This clearly exceeded the previous record reached in 2019 (2019: EUR 1,379.0 million). Alongside the Group's domestic markets of Germany and Austria, which again emerged as growth drivers in the construction industry, business also developed very strongly in the UK. In the majority of countries in Southern, Eastern and Northern Europe, the Group was also able to report high double-digit growth, albeit against a lower baseline in some cases due to the impact of the pandemic. Business with customers in the agricultural sector developed again particularly positively. Despite the stable development of business in 2020 and the resulting strong baseline for comparison from that year – the fall in revenue amounted to 1.9 percent here – the Group managed to grow revenue in this segment by 14.5 percent to EUR 348.4 million (2020: EUR 304.3 million).

Fiscal 2021 was marked by a recovery in the Americas – a region that was particularly hard hit by the COVID-19 pandemic. As the year progressed, the gradual upturn in demand from rental firms also pushed revenue up by 21.5 percent to EUR 328.6 million (2020: EUR 270.4 million). Business developed particularly well in Canada, where the Group was already able to exceed pre-crisis revenue levels.

In Asia-Pacific, revenue increased relative to the previous year by 8.5 percent to EUR 60.1 million (2020: EUR 55.4 million). While the Group continued to face a challenging market environment with surplus capacities and significant price pressure in China, business in Australia developed at a dynamic pace. The Group significantly increased its revenue in this market and also recorded growth in the double-digit percentage range relative to the pre-crisis year of 2019.

Group profitability rose significantly in fiscal 2021 – even when compared with the pre-crisis level of 2019. Following the sharp downturn in 2020, earnings before interest and taxes (EBIT) climbed 155.6 percent to EUR 193.0 million – fueled amongst other things by the rise in revenue flanked by stringent cost control measures – and was thus significantly higher than 2019 EBIT (2020: EUR 75.5 million, 2019: EUR 153.1 million). The EBIT margin amounted to 10.3 percent (2020: 4.7 percent, 2019: 8.1 percent). Compared with the previous year, changes to value adjustments in connection with allowances for doubtful receivables had a major effect on earnings. In 2020, bad debt allowances in the amount of EUR -33.3 million were posted whereas in 2021, the Group realized a net effect of EUR +13.5 million.

Increase in earnings and reduction in non-current financial assets drive cash flow development

Buoyed by the significant increase in earnings and a reduction in non-current financial assets, gross cash flow at EUR 375.2 million almost doubled compared to the previous year (2020: EUR 197.9 million). Cash flow from operating activities (after investments in net working capital) amounted to EUR 331.7 million and therefore came in below the high level of the previous year (2020: EUR 420.0 million). There was a significant reduction in net working capital in 2020 (→ Financial position, page 34 ff.). Free cash flow before outflows to financial assets to optimize interest income amounted to EUR 264.1 million (2020: EUR 344.0 million).

Comparison between the actual and projected performance

In its guidance for fiscal 2021, the Executive Board expected Group revenue to amount to between EUR 1,700 and EUR 1,800 million and the EBIT margin to lie between 8.0 and 9.5 percent. Net working capital expressed as a percentage of revenue was predicted to stagnate or be slightly lower than the previous year (2020: 30.8 percent). The Executive Board expected investments in property, plant and equipment and in intangible assets to amount to between EUR 100 and EUR 110 million.

Following a successful first half-year marked by growth and a rise in profitability, the Executive Board narrowed its revenue and earnings guidance for fiscal 2021, placing it within the upper half of the respective ranges previously given with revenue in the EUR 1,750 to 1,800 million corridor and the EBIT margin between 8.75 and 9.5 percent.

On October 28, the Executive Board revised its revenue and earnings guidance for 2021 as a whole upwards, placing revenue in the EUR 1,775 to 1,825 million corridor and the EBIT margin between 9.3 and 9.7 percent. The Group had managed to increase Q3 revenue relative to the prior-year period by a larger margin than had been initially assumed in light of the fact that supply chains were overstretched and repeatedly disrupted and was able to largely avoid extended production shutdowns,. The projections for investments in property, plant and equipment and in intangible assets were revised downwards to EUR 90 million, reflecting decisions to postpone individual projects in order to prioritize deliveries to customers against the backdrop of supply chain constraints.

Revenue and EBIT margin for fiscal 2021 amounted to EUR 1,866.2 million and 10.3 percent respectively and were thus significantly higher than the prior-year values (2020: EUR 1,615.5 million and 4.7 percent) and the figures forecast for the year as a whole. Despite the generally difficult conditions, the Group was able to deliver more machinery to customers than had been initially assumed in light of the fact that supply chains were overstretched and repeatedly disrupted.

Net working capital was EUR 497.6 million at the closing date and thus remained at the same level as the previous year (2020: EUR 497.5 million). The net working capital ratio reached 26.7 percent and was thus within the strategic target range of 30 percent or less of revenue (2020: 30.8 percent). Investments in property, plant and equipment and in intangible assets amounted to EUR 82.2 million (2020: EUR 86.9 million).[1]

On February 9, 2022, the Group had already announced preliminary, unaudited figures for revenue in the amount of approximately EUR 1,866 million and EBIT in the amount of approximately EUR 193 million for fiscal 2021.

Increase in equity

In fiscal 2021, the balance sheet total of the Wacker Neuson Group rose to EUR 2,320.8 million (Dec. 31, 2020: EUR 2.126,8 million). Group equity also increased during the period under review to reach EUR 1,286.2 million (Dec. 31, 2020: EUR 1.218,1 million). Treasury shares in the amount of EUR 53 million purchased as part of the 2021 share buyback program were deducted from the equity figure. At 55.4 percent, the equity ratio was thus slightly below the prior-year level (Dec. 31, 2020: 57.3 percent). As a result of the positive cash flow development, gearing improved to -0.1 percent, which is the lowest level in ten years (Dec. 31, 2020: 10,1 percent).

Successful completion of 2021 share buyback program

On March 18, 2021, the Executive Board of Wacker Neuson SE – with the approval of the Supervisory Board – resolved to utilize the authorization granted by the company's Annual General Meeting on May 30, 2017 to launch a share buyback program ("2021 share buyback program"). Within the framework of the 2021 share buyback program, a total of 2,124,655 treasury shares (corresponding to 3 percent of the company's share capital) were bought back between the period from April 1, 2021 and November 19, 2021. The average purchase price per share paid to the stock exchange was EUR 24.95. The company bought back treasury shares to a total purchase value of EUR 52,999,971.94 (excluding incidental acquisition costs). The treasury shares will be primarily used by way of consideration in connection with the acquisition of companies or to implement participation programs for Group employees and Executive Board members. Refer to the Notes to the Consolidated Financial Statements for further information on the 2021 share buyback program. → Page 120

Changes in the composition of executive bodies

On June 1, 2021, Dr. Karl Tragl took on the role of Chairman of the Executive Board and Chief Executive Officer (CEO). Also on June 1, Christoph Burkhard took on the position of Chief Financial Officer (CFO). Dr. Tragl and Mr. Burkhard succeed Mr. Kurt Helletzgruber, who had been seconded from the Supervisory Board to the Executive Board at the end of 2020 in accordance with Section 105 (2) AktG. Mr. Helletzgruber took on the position of CFO on December 1, 2020 for an interim period and also temporarily assumed the role of Chairman of the Executive Board and CEO on January 1, 2021. With these appointments, the Executive Board of Wacker Neuson SE again comprises four members. Felix Bietenbeck is Chief Operations Officer (COO) and Chief Technology Officer (CTO) while Alexander Greschner is Chief Sales Officer (CSO). As planned, Mr. Helletzgruber returned to the Supervisory Board once the new members of the Executive Board assumed their positions. The position of Chair of the Audit Committee, which had been filled by Prof. Dr. Matthias Schüppen since the secondment of Kurt Helletzgruber to the Executive Board in December 2020, will again be held by Mr. Kurt Helletzgruber following approval of the 2021 Annual Financial Statements.

Strategic focus of the Wacker Neuson Group

The growth strategy "Strategy 2022" was launched in March 2018 with the aim of ensuring that the Wacker Neuson Group is focused on its customers' needs. Guided by the initiative's three strategic pillars of "focus", "acceleration" and "excellence", the Group aims to further expand its market positions while at the same time driving growth and increasing profitability. The Executive Board was re-organized on June 1, 2021 with the arrival of Dr. Karl Tragl as CEO and Christoph Burkhard as CFO. The new Executive Board team shares the Strategy 2022 vision. A next-level Strategy 2025, intended to sharpen and realign the existing strategy, is set to be presented in fiscal 2022. A sustainability strategy based on the United Nations Sustainable Development Goals (SDGs) will also be an integral component of Strategy 2025.

	Guidance March 18, 2021	Narrowing of guidance August 5, 2021	Raising of guidance October 28, 2021	Achieved 2021
Revenue	€1,700 to 1,800 m	€1,750 to 1,800 m	€1,775 to 1,825 m	€1,866.2 m
EBIT margin	8.0 to 9.5%	8.75 to 9.5%	9.3 to 9.7%	10.3%
Net working capital as a % of revenue	Stagnating to slightly lower than previous year	Unchanged	Unchanged	26.7%
Investments[1]	€100 to 110 m	Unchanged	Approx. €90 m	€82.2 m

[1] Investments in property, plant and equipment and in intangible assets (this figure does not include investments in the Group's rental equipment or purchase of investments).

Profit, financials and assets

The report on profit, financials and assets covers a total of 46 consolidated Group companies (2020: 48) including the holding company, Wacker Neuson SE.

Profit

- Double-digit revenue growth and clear rise in profitability
- Supply chain bottlenecks dampen pace of growth

Demand bounces back after the pandemic year of 2020; overstretched supply chains dampen pace of growth[1]
In fiscal 2021, business developments at the Wacker Neuson Group recovered quickly from the 2020 drop in revenue triggered by the COVID-19 pandemic. In the first quarter, the Group reported a plus of 5.6 percent relative to 2020 and thus returned to its pre-crisis level of 2019. The second quarter was shaped by global supply chain constraints. This prevented the Group from returning to 2019 levels for this period despite strong customer demand. Due to the low baseline for comparison, however, growth here was still 28.1 percent higher than the prior-year period. The supply chain situation worsened further in the third quarter. Bottlenecks in raw material and component supplies and a rapid reduction in shipping capacities delayed the completion and delivery of products. However, the Group largely managed to avoid extended production shutdowns. Revenue rose 18.1 percent relative to the previous year. Moving into the fourth quarter, the supply chain tensions described above did not ease. At 11.3 percent, however, revenue was still markedly higher than the prior-year figure.

Group revenue for 2021 as a whole amounted to EUR 1,866.2 million. This corresponds to a rise of 15.5 percent relative to the previous year (2020: EUR 1,615.5 million). Adjusted for currency effects, revenue rose 15.8 percent.

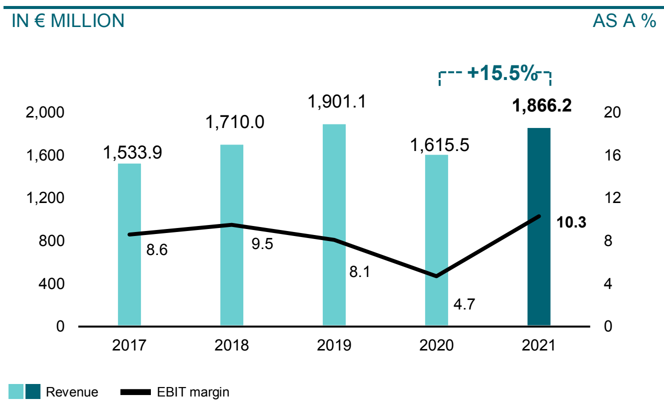
Once again, business with customers in the agricultural sector developed particularly positively. Despite the stable development of business in 2020 and the resulting strong baseline for comparison from that year (drop in revenue of 1.9 percent), the Group managed to grow revenue in this segment by 14.5 percent to EUR 348.4 million (2020: EUR 304.3 million).

Marked increase in profitability
Group profitability rose significantly in fiscal 2021 – even when compared with the pre-crisis level of 2019. Following the sharp downturn in 2020, earnings before interest and taxes (EBIT) climbed 155.6 percent to EUR 193.0 million – fueled amongst other things by the rise in revenue flanked by stringent cost control measures – and was thus significantly higher than 2019 EBIT (2020: EUR 75.5 million, 2019: EUR 153.1 million). The EBIT margin reached 10.3 percent (2020: 4.7 percent, 2019: 8.1 percent). Compared with the previous year, changes to value adjustments in connection with allowances for doubtful receivables had a major effect on earnings. In 2020, bad debt allowances in the amount of EUR -33.3 million were posted whereas in 2021, the Group realized a net effect of EUR +13.5 million.

Development of cost of sales
Cost of sales increased at a slightly slower pace than revenue, rising 13.8 percent to EUR 1,382.7 million (2020: EUR 1,215.2 million). Gross profit amounted to EUR 483.5 million (2020: EUR 400.3 million). The gross profit margin reached 25.9 percent and was thus above the prior-year figure of 24.8 percent.

The development of cost of sales was shaped by a sharp rise in sales volumes and the associated increase in production and logistics costs. Improved cost recovery at production plants relative to the prior-year period had a positive effect on gross profit, even if this remained below target due to a lack of production output caused by material bottlenecks. In addition to this, rehandling of machines and the rework activities required as a result of overstretched and repeatedly disrupted supply chains led to additional effort that had a negative impact on productivity at the production plants. Increased procurement costs for materials and components as well as a sharp rise in shipping costs also negatively impacted earnings.

REVENUE AND MARGIN DEVELOPMENT 2017–2021

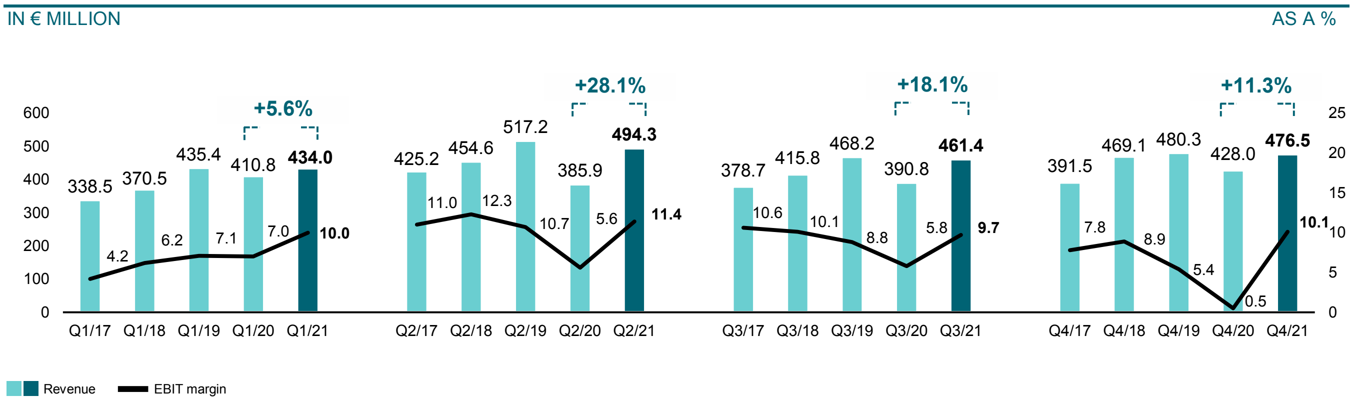


- After reporting double-digit growth rates in fiscal 2017, 2018 and 2019, the Group suffered a sharp dip in 2020 as a result of the effects of the pandemic. Dynamic demand in 2021, however, saw the Group rapidly return to its growth path.
- The rise in sales volumes combined with strict cost control measures and the pre-term receipt of receivables, which had previously been written down, pushed the EBIT margin well above the prior-year figure at 10.3 percent.

In fiscal 2019, there was a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Figures for 2018 have been adjusted accordingly.

[1] All information on individual quarters is unaudited.

QUARTER-ON-QUARTER COMPARISON: REVENUE AND EBIT MARGIN 2017–2021 (QUARTERLY FIGURES UNAUDITED)



In fiscal 2019, there was a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Figures for 2018 have been adjusted accordingly.

Development of operating costs

While cost of sales is mainly directly linked to sales volumes achieved by the Group, operating costs for SG&A and R&D activities follow a less variable trajectory. In fiscal 2021, however, these expenses were markedly lower than the prior-year figure due to a number of one-off effects. The decrease was primarily attributable to a sharp drop in sales and service expenses, which were mainly shaped by value adjustments in the amount of EUR -33.3 million in connection with allowances for doubtful receivables in fiscal 2020. By contrast, in fiscal 2021 the Group posted a positive effect of EUR +13.5 million from value adjustments to receivables (→ Notes to the Consolidated Financial Statements, page 89). As a result, sales and service expenses fell 21.2 percent to EUR 179.4 million (2020: EUR 227.7 million). Their share of revenue improved to 9.6 percent (2020: 14.1 percent).

Research and development costs amounted to EUR 45.5 million and were thus higher than the prior-year figure (2020: EUR 32.5 million). This rise was primarily attributable to an increase in personnel expenses. This was caused, on the one hand, by an increase in headcount and, on the other, by a reduction in personnel costs in the previous year linked to various short-time working models. There was a drop in development costs allocatable to individual development projects in 2021, resulting in a lower level of capitalization relative to the previous year (2021: EUR 29.3 million; 2020: EUR 31.7 million). The research and development ratio, including capitalized expenditure, remained unchanged at 4.0 percent of revenue (2020: 4.0 percent). Refer to → Other factors that impacted on results, page 51 ff for further information on new products, product enhancements and innovations.

General and administrative expenses increased 3.6 percent to EUR 74.0 million (2020: EUR 71.4 million). Triggers included increased expenses for IT and consultation services as well as higher costs for personnel, buildings and the Group's fleet. The administrative cost ratio fell to 4.0 percent as a result of the rise in sales volumes (2020: 4.4 percent). The capitalized costs for IT and software amounted to EUR 3.6 million in 2021 (2020: EUR 5.7 million). The useful life of intangible assets in conjunction with IT capitalizations was reduced from eight to six years in the 2021 fiscal year. → Notes to the Consolidated Financial Statements, item 10b

Other operating income and expenses

Other operating income during the period under review included income from the sale of real estate and government grants. At EUR 12.6 million, however, the figure was below the previous year (2020: EUR 18.6 million). Other operating expenses decreased to EUR 4.2 million (2020: EUR 11.8 million). This figure was impacted in the previous year by the impairment of goodwill attributed to the US subgroup in the amount of EUR 9.2 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose to EUR 313.5 million, compared with EUR 204.6 million in the previous year. The EBITDA margin reached 16.8 percent (2020: 12.7 percent).

In total, depreciation and amortization amounted to EUR 120.5 million in 2021 and was thus below the prior-year figure, which was shaped by the impairment of goodwill attributed to the US subgroup and additional impairment losses on assets (2020: EUR 129.1 million). The depreciation and amortization figure includes write-downs on the Group's rental equipment in the amount of EUR 43.1 million (2020: EUR 40.8 million). Depreciation as defined by IFRS 16 amounted to EUR 21.0 million (2020: EUR 22.6 million).

Development of EBIT, financial result and profit for the period

Earnings before interest and taxes (EBIT) increased 155.6 percent to EUR 193.0 million during the period under review. The EBIT margin reached 10.3 percent (2020: EUR 75.5 million; 4.7 percent).

The financial result for fiscal 2021 amounted to EUR -5.6 million (2020: EUR -21.7 million). The figure for the previous year was negatively impacted, primarily by currency effects related to internal Group liabilities in the amount of EUR -10.6 million (2021: EUR +3.0 million). Interest income included in the financial result amounted to EUR -9.7 million and was thus higher than the previous year (2020: EUR -10.7 million). → Notes to the Consolidated Financial Statements, item 5

At EUR 187.4 million, earnings before taxes (EBT) more than tripled (2020: EUR 53.8 million). Tax expenditure came to EUR 49.5 million (2020: EUR 39.7 million), which corresponds to a tax rate of 26.4 percent (2020: 73.8 percent). The sharp increase in the tax rate in the previous year was primarily due to value adjustments in connection with allowances for doubtful receivables, the impairment of goodwill attributed to the US subgroup and the currency effects recognized in the financial result. None of these effects could be recognized as expenses for tax purposes. Negative results from affiliates, for which no deferred tax assets were capitalized, as well as partial write-downs on existing deferred tax assets also contributed to the rise in the tax rate.

The Wacker Neuson Group realized net profit of EUR 137.9 million in fiscal 2021 (2020: EUR 14.1 million). Earnings per share (diluted and undiluted) amounted to EUR 1.99 (2020: EUR 0.20). The calculation of undiluted earnings per share is based on the weighted average number of shares in circulation during the period. Shares repurchased during the period are only considered to be in circulation up until the point in time when they are bought back and are weighted accordingly. In fiscal 2021, earnings per share were calculated on the basis of a weighted average number of shares in circulation in the amount of 69,154,959 (2020: 70,140,000).

Financial position

- Strong financial structure
- High free cash flow results in positive net financial position

Principles and targets of financial management

At the Wacker Neuson Group, financial management encompasses the planning, management and controlling of all measures related to the sourcing (financing) and utilization (investment) of funds. The main focus is on ensuring and maintaining liquidity in the form of sufficient credit lines or liquid funds. Financial management also aims to optimize the company's risk/return ratio – in other words, profitability – while taking into consideration investment and financing risks. The Group draws on set balance sheet ratios and key indicators to manage its financing needs. Net financial debt and the equity ratio are important indicators here. → Financial glossary

The company's aim is to fund day-to-day operations with cash flow from operating activities. Surplus funds are invested in safe, highly liquid instruments at the prevailing interest rates. The Wacker Neuson Group uses standard derivative financial instruments such as foreign exchange forward contracts, interest rate swaps and foreign exchange swaps to minimize risks.

Refinancing developments

The Wacker Neuson Group benefits from its credit rating, which is also acknowledged by the banks. In 2021, Deutsche Bundesbank again confirmed that Wacker Neuson SE was eligible for credit. The company aims to maintain its independence, directly sourcing its own, diversified refinancing lines on the market.

Ensuring payment flow through liquidity management

The main objective of liquidity management is to ensure that the Wacker Neuson Group has sufficient funds to meet payment obligations as they arise. To this end, the Group maintains cash pools in which all key companies are incorporated. All participants can draw on the positive cash pool balances provided by Wacker Neuson SE at individually fixed, fair market conditions. Interest accrues on deposits and withdrawals effected by participants in keeping with the market conditions prevailing in the respective currency and company. In addition to these highly short-term loans, Group companies also have access to Group loans.

KEY FINANCIAL INSTRUMENTS AT DECEMBER 31, 2021

	Amount in €/USD million	Due	Interest rate as a %
Promissory note (Schuldschein) 2017 in EUR m	125.0	2022	0.69
Promissory note (Schuldschein) 2018 in USD m (Tranche I)	77.5	2023	3.97
Promissory note (Schuldschein) 2018 in USD m (Tranche II)	22.5	2025	4.26
Promissory note (Schuldschein) 2019 in EUR m (Tranche I)	70.0	2024	0.65
Promissory note (Schuldschein) 2019 in EUR m (Tranche II)	80.0	2026	0.99
Promissory note (Schuldschein) 2020 in EUR m	50.0	2023	1.20
Other short-term borrowings from banks in EUR m	13.7	n/a	variable

Increase in profit and drop in non-current financial assets drive cash flow development

Fueled by the sharp rise in earnings and a reduction in non-current financial assets, gross cash flow almost doubled relative to the previous year to reach EUR 375.2 million (2020: EUR 197.9 million). The reduction in non-current financial assets was attributable to the sale of receivables related to the divestment of a minority shareholding (cash effect: EUR +49.1 million) as well as the receipt of further non-current receivables (cash effect: EUR +67.9 million), in particular in the Americas region (for further information on this, refer to the Notes to the Consolidated Financial Statements → item 11). Changes to miscellaneous liabilities also had a positive effect (refer to Assets, Current liabilities → page 40). Conversely, the expansion of the Group's rental fleet had a dampening effect.

Cash flow from operating activities (after investments in net working capital) amounted to EUR 331.7 million and was thus lower than the high prior-year figure (2020: EUR 420.0 million). The Group reported significant reductions of net working capital in 2020. → Page 37

At EUR -182.6 million, investment outflows were clearly above the prior-year figure (2020: EUR -91.0 million). However, this figure includes fixed-term investments in the amount of EUR 115.0 million, which were made to optimize interest income. Adjusted to discount these fixed-term investments, investment outflows were below the figure for the previous year.

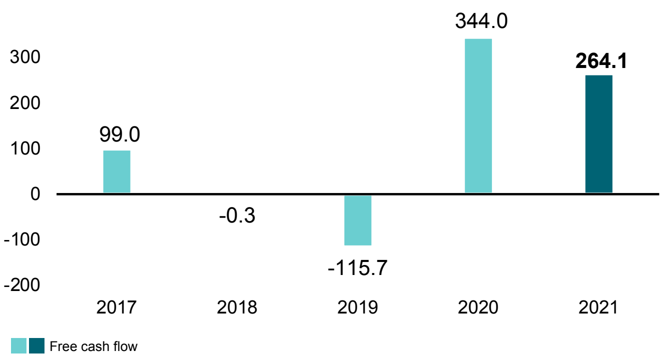
Investments in property, plant and equipment and in intangible assets amounted to EUR 82.2 million and were thus below the planned target. A number of projects were postponed as the Group prioritized deliveries to customers against the backdrop of supply chain constraints (2020: EUR 86.9 million; figures adjusted for effects of IFRS 16). Investments in property, plant and equipment (investment volume: EUR 46.0 million; 2020: EUR 48.0 million) was primarily comprised of investments to replace existing assets and investments in expansion measures. At EUR 36.2 million, investments in intangible assets were lower than in the prior year and mainly included the capitalization of development activities and IT projects (2020: EUR 38.9 million). Refer to the Notes to the Consolidated Financial Statements → item 10b.

Investments in the Group's rental equipment (2021: EUR 113.7 million; 2020: EUR 80.0 million) are not included in cash flow from investment activities but are instead included in gross cash flow (reported under current assets in the balance sheet).

Free cash flow corresponds to cash flow from operating activities less cash flow from investment activities. In fiscal 2021, free cash flow amounted to EUR 149.1 million as a result of the factors described above (2020: EUR 329.0 million). Discounting the fixed-term investments described above, free cash flow amounted to EUR 264.1 million (2020: EUR 344.0 million).

FREE CASH FLOW 2017–2021[1,2]

IN € MILLION



[1] Refer to item 32 in the Notes to the Consolidated Financial Statements for further information about the cash flow statement.
[2] Before fixed-term investments in the amount of EUR 15.0 million in fiscal 2020 and EUR 115.0 million in fiscal 2021.

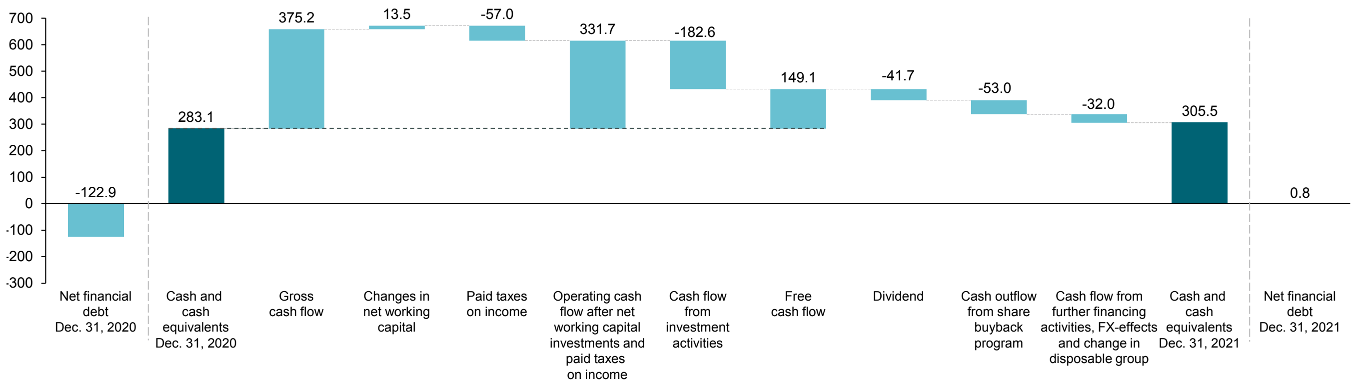
DEVELOPMENT OF CASHFLOW

IN € MILLION

	2021	2020	2019	2018	2017
Cash flow from operating activities	**331.7**	**420.0**	**-20.9**	**-15.5**	**138.0**
Purchase of property, plant and equipment	-46.0	-48.0	-50.5	-37.3	-29.5
Purchase of intangible assets	-36.2	-38.9	-38.7	-36.0	-17.9
Purchase of investments	-0.6	-0.6	-9.3	–	–
Proceeds of investments	8.6	–	–	–	–
Cash inflow from financial investments	–	–	–	–	–
Cash outflow from financial investments	-115.0	-15.0	–	–	–
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	6.6	9.5	3.7	28.5	8.4
Proceeds from the sale of a real-estate company	–	–	–	60.0	–
Proceeds from disposals from the consolidation group	–	2.0	–	–	–
Cash flow from investment activities	**-182.6**	**-91.0**	**-94.8**	**15.2**	**-39.0**
Free cash flow	**149.1**	**329.0**	**-115.7**	**-0.3**	**99.0**

LIQUIDITY SITUATION

IN € MILLION



The company once again paid a dividend to shareholders in 2021 after suspending its dividend payout in 2020 in light of the unpredictability surrounding the ramifications of the COVID-19 pandemic. Based on EUR 0.60 per eligible share, the total payout corresponded to EUR 41.7 million. In addition, treasury shares in the amount of EUR 53 million were repurchased within the framework of a share buyback program. In light of the strong cash flow development, the Group nevertheless achieved a positive net financial position at the close of 2021.

Cash flow from financing activities in 2021 amounted to EUR -128.9 million (2020: EUR -91.6 million). This figure was primarily shaped by outflows resulting from the purchase of treasury shares and the dividend payout. Within the framework of the share buyback program 2021, treasury shares to the total amount of EUR 53.0 million were purchased. The dividend payout amounted to EUR 41.7 million. In the previous year, cash flow from financing activities was shaped by the repayment of current liabilities. The dividend payout was suspended in light of the unpredictability surrounding the ramifications of the COVID-19 pandemic. For further information on this, refer to the Notes to the Consolidated Financial Statements. → item 32

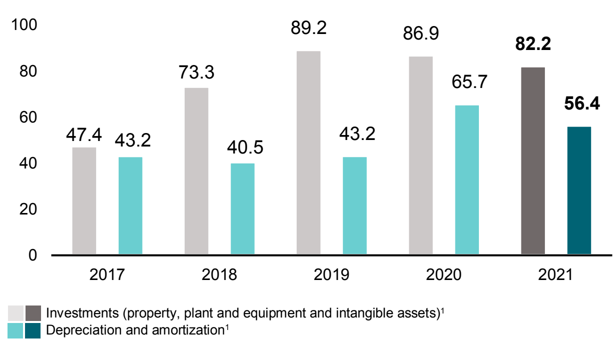
Liquidity situation

The Wacker Neuson Group was able to meet liquidity needs in 2021 through a combination of the existing promissory notes (Schuldschein), credit lines provided by banks and the cash flow it generated. For further details on the terms and conditions of credit lines, refer to the Notes to the Consolidated Financial Statements. → item 21

In light of the strong cash flow development, the Group achieved a positive net financial position at the close of 2021 (see also Assets, → page 40). At December 31, 2021, cash and cash equivalents amounted to EUR 305.5 million (2020: EUR 283.1 million). These funds are held by Wacker Neuson SE and affiliates that cannot participate in the existing cash pool structures for legal reasons. The Wacker Neuson Group continues its efforts to improve this situation within the limits of what is legally possible.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND IN INTANGIBLE ASSETS AND WRITE-DOWNS 2017–2021[1]

IN € MILLION

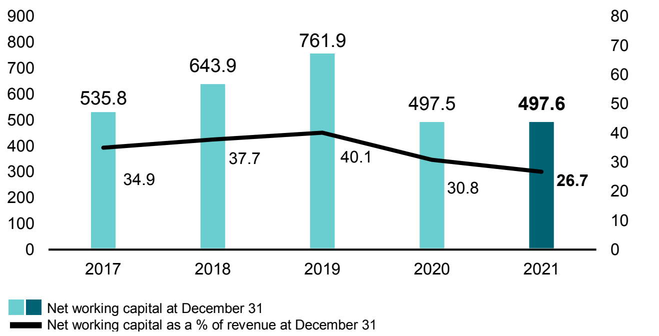


- At EUR 82.2 million, investments in property, plant and equipment and in intangible assets in 2021 remained below the original planned targets. This was due to the postponement of individual projects as the Group had prioritized deliveries to customers against the backdrop of overstretched and repeatedly disrupted supply chains.
- EUR 46.0 million was invested in property, plant and equipment, and EUR 36.2 million was channeled into intangible assets.

[1] Adjusted for effects of IFRS 16. Values are based on property, plant and equipment and intangible assets. The Group's own rental equipment and purchases of investments are not included.

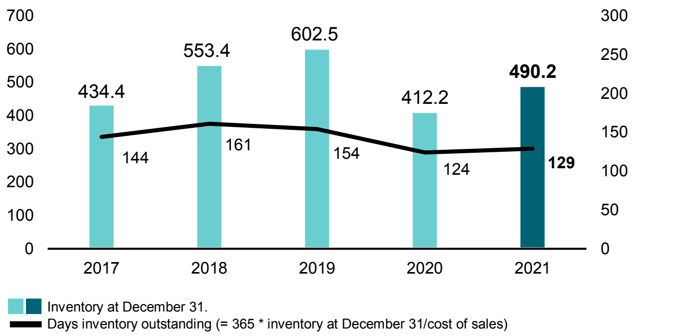
NET WORKING CAPITAL 2017–2021

IN € MILLION AS A %



INVENTORY AND DAYS INVENTORY OUTSTANDING 2017–2021

IN € MILLION IN DAYS



Following a marked reduction over the previous year, net working capital remained at almost the same level despite double-digit revenue growth in 2021. Net working capital expressed as a percentage of revenue decreased to 26.7 percent and was thus in the strategic target range of 30 percent or less (2020: 30.8 percent).

Net working capital ratio further reduced

Targeted inventory management is crucial for ensuring that the Group can meet the needs of global markets. The company needs to maintain higher stock levels due to the many different product parts and model versions it now manages as a result, in part, of changing emissions legislation governing construction equipment. In addition to this, Wacker Neuson also distributes its products via affiliates and its own sales and service stations. This results in some cases in higher inventory levels of finished products than those held by competitors who primarily sell their products to end customers via dealers. Following a marked reduction over the previous year, net working capital could be maintained at almost the same level despite the double-digit revenue growth in 2021 (December 31, 2021: EUR 497.6 million; December 31, 2020: EUR 497.5 million).[1] Net working capital expressed as a percentage of revenue decreased to 26.7 percent and was thus clearly in the strategic target range of 30 percent or less (2020: 30.8 percent). The individual components of net working capital developed as follows:

Inventory levels of machines, raw materials and supplies increased by 18.9 percent in 2021 to EUR 490.2 million (December 31, 2020: EUR 412.2 million). Inventory levels of finished machines decreased sharply here due to strong demand. Conversely, levels of unfinished machines more than doubled since the start of the year as a result of overstretched and, in some cases, disrupted supply chains. Days inventory outstanding rose from 124 to 129 days.[2]

In recent years, the Group has made extensive adjustments to its planning processes and underlying IT systems in order to optimize days inventory outstanding in the long term. The rollout of SAP IBP (Integrated Business Planning) was a key milestone here; a move that will gradually allow an integrated approach to sales and production planning across all operative Group companies (refer to → Other factors that impacted on results, page 52 for further information).

With production volumes rising once again, trade payables increased markedly in 2021 to EUR 230.5 million (December 31, 2020: EUR 137.1 million). Days payables outstanding rose to 61 days (2020: 41 days).[3] Trade payables had dropped to a lower level in 2020 due to a decline in production volumes related to the impact of the COVID-19 pandemic.

Trade receivables rose to EUR 237.9 million at the close of the year fueled by the increased volume of business (December 31, 2020: EUR 222.4 million). In contrast, days sales outstanding[4] fell to 47 days in light of the even stronger upturn in revenue (2020: 50 days).

DEVELOPMENT OF NET WORKING CAPITAL AND ITS COMPONENTS

IN € MILLION

	2021	2020	2019	2018	2017
Inventory at Dec. 31	490.2	412.2	602.5	553.4	434.4
Days inventory outstanding	129	124	154	161	144
Trade receivables at Dec. 31	237.9	222.4	309.3	303.3	235.1
Days sales outstanding	47	50	59	65	56
Trade payables at Dec. 31	230.5	137.1	149.9	212.8	133.7
Days payables outstanding	61	41	38	62	44
Net working capital at Dec. 31	497.6	497.5	761.9	643.9	535.8
Net working capital as a % of revenue	26.7	30.8	40.1	37.7	34.9

[1] Currency effects nonetheless resulted in a positive cash effect in the amount of EUR 13.5 million.
[2] Note on calculation: Inventory as at December 31 / cost of sales * 365 days.
[3] Note on calculation: Trade payables at December 31 / cost of sales * 365 days.
[4] Note on calculation: Trade receivables at December 31 / revenue * 365 days.

Return on capital employed
Capital employed increased slightly in fiscal 2021, amounting to EUR 1,449.8 million at the closing date (December 31, 2020: EUR 1,396.7 million). Return on capital employed before taxes (ROCE I) rose from 5.4 percent in 2020 to 13.3 percent in 2021 in light of the clear improvement to the earnings situation. Return on capital employed after tax (ROCE II) amounted to 9.8 percent and was thus much higher than the prior-year figure (2020: 1.4 percent). Information on ROCE is based on capital employed at the December 31 closing date.

CALCULATING ROCE I AND II
IN € MILLION

	2021	2020	2019	2018	2017
EBIT	**193.0**	**75.5**	**153.1**	**162.3**	**131.4**
NOPLAT = EBIT – (EBIT x Group tax rate)	**142.0**	**19.8**	**98.5**	**115.6**	**91.7**
Non-current assets	**887.5**	**971.2**	**1,023.9**	**838.1**	**759.2**
Long-term financial assets	-19.0	-109.7	-144.7	-91.5	-35.6
Long-term contract liabilities[1]	-6.8	-5.0	-3.9	–	–
Deferred tax liabilities	-49.8	-43.9	-36.8	-34.6	-32.5
Non-current assets used in business	**811.9**	**812.6**	**838.5**	**712.0**	**691.1**
Current assets	**1,433.3**	**1,155.6**	**1,172.7**	**1,076.1**	**862.5**
Other short-term financial assets	-158.4	-45.5	-23.6	-16.2	-11.3
Cash and cash equivalents	-305.5	-283.1	-46.3	-43.8	-27.3
Trade payables	-230.5	-137.1	-149.9	-212.8	-133.7
Short-term provisions	-20.5	-19.0	-17.6	-15.7	-16.9
Current tax payables	-22.8	-32.8	-19.0	-29.2	-1.0
Other current non-financial liabilities	-52.2	-48.9	-50.1	-47.3	-60.9
Short-term contract liabilities	-5.5	-5.1	-5.5	-6.9	–
Net working capital in a broader sense	**637.9**	**584.1**	**860.7**	**704.2**	**611.4**
Capital employed	**1,449.8**	**1,396.7**	**1,699.2**	**1,416.2**	**1,302.5**
Average capital employed	1,423.3	1,548.0	1,557.7	1,359.4	1,329.1
Derivation via equity and liabilities					
Equity	1,286.2	1,218.1	1,225.0	1,221.4	1,113.7
Long-term financial borrowings	295.1	411.6	372.4	214.7	156.1
Long-term lease liabilities	50.4	57.1	66.9	2.6	–
Provisions for pensions and similar obligations	54.6	64.8	61.8	52.3	–
Long-term provisions	10.0	9.8	7.9	5.9	59.1
Short-term borrowings from banks	138.7	9.2	112.4	33.8	20.3
Current portion of long-term borrowings	0.9	0.2	0.5	–	0.6
Short-term lease liabilities	22.2	25.7	25.2	1.4	–
Other short-term financial liabilities	74.6	38.5	41.7	35.6	26.9
Long-term financial assets	-19.0	-109.7	-144.7	-91.5	-35.6
Cash and cash equivalents	-305.5	-283.1	-46.3	-43.8	-27.3
Other short-term financial assets	-158.4	-45.5	-23.6	-16.2	-11.3
Capital employed	**1,449.8**	**1,396.7**	**1,699.2**	**1,416.2**	**1,302.5**
Capital employed as a % of revenue	77.7%	86.5%	89.4%	82.8%	84.9%
Average capital employed as a % of revenue	76.3%	95.8%	81.9%	79.5%	86.6%
ROCE I	**13.3%**	**5.4%**	**9.0%**	**11.5%**	**10.1%**
(EBIT/capital employed)					
ROCE I	**13.6%**	**4.9%**	**9.8%**	**11.9%**	**9.9%**
(EBIT/average capital employed)					
ROCE II	**9.8%**	**1.4%**	**5.8%**	**8.2%**	**7.0%**
(NOPLAT/capital employed)					
ROCE II	**10.0%**	**1.3%**	**6.3%**	**8.5%**	**6.9%**
(NOPLAT/average capital employed)					

[1] As of 2020, shown as a separate line in the balance sheet, the year 2019 was adjusted accordingly.

Assets

- Positive net financial position, increase in equity
- Share buyback program successfully concluded

The Wacker Neuson Group further strengthened its balance sheet in fiscal 2021. Fueled by the strong development of cash flow, the Group achieved a positive net financial position at the close of 2020 while at the same time increasing equity.

Non-current assets
At the end of the reporting period, non-current assets came to EUR 887.5 million (December 31, 2020: EUR 971.2 million).

This decrease was primarily attributable to the development of non-current financial assets (December 31, 2021: EUR 19.0 million; December 31, 2020: EUR 109.7 million). This resulted from the sale of receivables related to the divestment of a minority shareholding as well as the receipt of further non-current receivables in the Americas region (refer to Financial position → page 35).

At EUR 393.9 million, property, plant and equipment was on a par with the prior-year figure (December 31, 2020: EUR 391.6 million). Other intangible assets rose slightly to EUR 188.6 million (December 31, 2020: EUR 178.9 million). The capitalization of development activities and IT projects fell relative to the previous year.

Goodwill remained constant at EUR 228.6 million (December 31, 2020: EUR 228.6 million).

Current assets
Current assets rose from EUR 1,155.6 million to EUR 1,433.3 million in fiscal 2021. The sharp rise is primarily attributable to strong cash generation, with liquid funds in the total amount of EUR 130.0 million being channeled into a fixed-term investment with a term of less than one year at the closing date (December 31, 2020: EUR 15.0 million). Cash and cash equivalents (not including fixed-term investments) amounted to EUR 305.5 million at the closing date (December 31, 2020: EUR 283.1 million).

Inventories were also significantly higher than the prior-year figure at EUR 490.2 million (December 31, 2021: EUR 412.2 million; see also → Development of net working capital, page 37). The expansion of the Group's own rental equipment to further strengthen this business field also contributed to the rise in current assets (December 31, 2021: EUR 191.6 million; December 31, 2020: EUR 159.5 million).

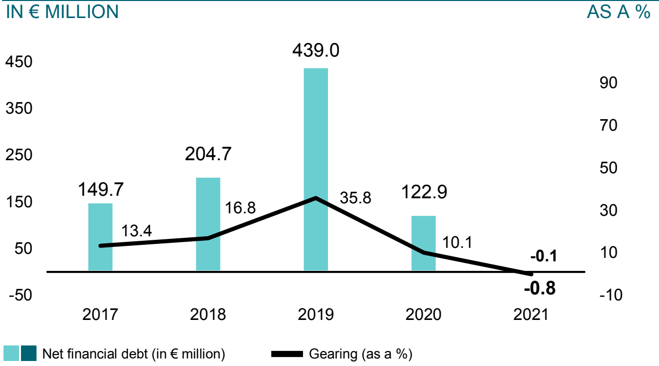
Non-current liabilities
Non-current liabilities amounted to EUR 466.7 million at the close of 2021 and were thus markedly lower than the prior-year figure (December 31, 2020: EUR 592.2 million). This was attributable to the reclassification of a promissory note (Schuldschein) in the amount of EUR 125.0 million, which was due in February 2022 and repaid on time. Non-current financial liabilities amounted to EUR 295.1 million at the closing date (December 31, 2020: EUR 411.6 million).

Deferred tax liabilities came to EUR 49.8 million at December 31, 2021 (December 31, 2020: EUR 43.9 million). This rise is primarily due to deferred tax on intangible assets in connection with development costs.

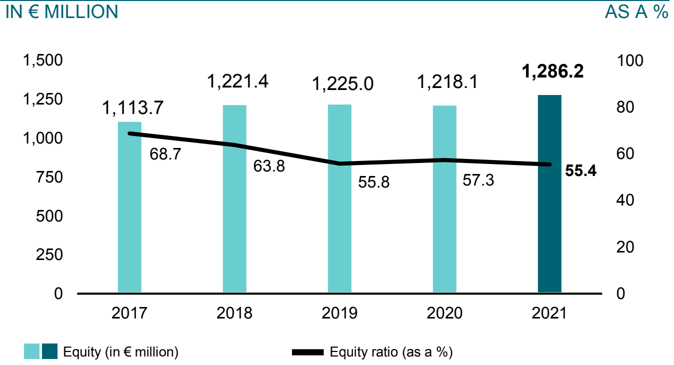
Long-term lease liabilities reached EUR 50.4 million on the closing date (December 31, 2020: EUR 57.1 million). This decrease is attributable to a number of factors including restructuring measures in Sweden and the reclassification of long-term lease liabilities as short-term items.

Provisions for pensions and similar obligations amounted to EUR 54.6 million on the closing date (December 31, 2020: EUR 64.8 million). Refer to the Notes to the Consolidated Financial Statements → item 19 for further information on provisions for pensions.

NET FINANCIAL DEBT AND GEARING 2017–2021



EQUITY AND EQUITY RATIO 2017–2021



Fueled by the strong development of cash flow, the Group achieved a positive net financial position at the close of 2021 while at the same time increasing equity.

Current liabilities
Total current liabilities amounted to EUR 567.9 million at the closing date (December 31, 2020: EUR 316.5 million). This rise was mainly attributable to the reclassification of a promissory note (Schuldschein) in the amount of EUR 125 million, which was due in February 2022 and repaid on time. In the previous year, this item was reported under long-term liabilities. Trade payables increased, fueled by the sharp rise in production output (December 31, 2021: EUR 230.5 million; December 31, 2020: EUR 137.1 million; see also → Development of net working capital, page 37).

In contrast, income tax liabilities fell sharply from EUR 32.8 million to EUR 22.8 million. The figure for the previous year was increased by tax deferral options that the Group availed of under government coronavirus relief programs.

At EUR 22.2 million, short-term lease liabilities were below the previous year's figure (December 31, 2020: EUR 25.7 million).

Other current financial liabilities rose during the period under review, largely due to the increased volume of receivables that were transferred to an asset-backed securities (ABS) program, where the Group acts as a loan servicer (December 31, 2021: EUR 74,6 million; December 31, 2020: EUR 38,5 million). Segment reporting, Americas region, page 46 ff.

Net financial debt cleared, increase in equity
The continued positive development of free cash flow meant that the Group was able to completely clear net financial debt,[1] reporting a negative value of EUR -0.8 million (December 31, 2020: EUR 122.9 million). Gearing[2] amounted to -0.1 percent (December 31, 2020: 10.1 percent).

In fiscal 2021, the balance sheet total of the Wacker Neuson Group rose to EUR 2,320.8 million (December 31, 2020: EUR 2,126.8 million). Group equity also rose to EUR 1,286.2 million in the period under review (December 31, 2020: EUR 1,218.1 million). Treasury shares in the amount of EUR 53 million, which were purchased within the framework of the 2021 share buyback program, were deducted from equity. The equity ratio subsequently came to 55.4 percent, which is slightly below the previous year's figure (December 31, 2020: 57.3 percent).

The company's share capital remained unchanged at EUR 70.14 million.

Financial structure
For information on the financial structure and terms, refer to "Financial liabilities" in the Notes to the Consolidated Financial Statements → item 21.

Off-balance-sheet assets and financial instruments
In addition to the assets shown in the consolidated balance sheet, the Group also makes limited use of assets not recognized in the balance sheet. This generally refers to leased assets that are not capitalized in the balance sheet of the lessee due to the short-term nature of the lease or the low carrying amount as per IFRS 16. In connection with factoring and the ABS program mentioned above, certain receivables are completely derecognized in line with IFRS 9 and only recognized to the extent of the company's continuing involvement in the financial asset.

Judgments and estimates
Information about the use of estimates, assumptions and judgments made – especially in connection with the valuation of property, plant and equipment, intangible assets, goodwill, and expenses relating to R&D and shareholdings – with regard to receivables, pension liabilities, provisions, contingencies and information about tax expenses is presented in the Notes to the Consolidated Financial Statements under → Material discretionary decisions, estimates and assumptions, page 98 ff.

NET FINANCIAL DEBT
IN € MILLION

	2021	2020	2019	2018	2017
Long-term financial borrowings	295.1	411.6	372.4	214.7	156.1
Short-term liabilities to financial institutions	138.7	9.2	112.4	33.8	20.3
Current portion of long-term borrowings	0.9	0.2	0.5	–	0.6
Cash and cash equivalents	305.5	283.1	46.3	43.8	27.3
Fixed-term investments (< 1 year)	130.0	15.0	–	–	–
Net financial debt	**-0.8**	**122.9**	**439.0**	**204.7**	**149.7**
Gearing	-0.1%	10.1%	35.8%	16.8%	13.4%

[1] Net financial debt = long- and short-term borrowings + current portion of long-term borrowings – cash and cash equivalents – fixed term investments with terms of less than one year. The definition of net financial debt as applied by the Wacker Neuson Group does not include lease liabilities in accordance with IFRS 16.
[2] Gearing = net financial debt/equity.

General overview of economic situation

In fiscal 2021, business developments at the Wacker Neuson Group recovered quickly from the 2020 drop in revenue triggered by the COVID-19 pandemic. Especially from the second quarter onwards, however, overstretched and repeatedly disrupted supply chains dampened the pace of growth, which meant the Group fell just short of 2019 levels despite strong customer demand. Supply bottlenecks for raw materials and components as well as a sharp reduction in shipping capacities resulted in delays in the production and delivery of products.

The Group reported revenue of EUR 1,866.2 million, which is an increase of 15.5 percent relative to the previous year (2020: EUR 1,615.5 million). Group earnings also increased markedly. With an EBIT margin of 10.3 percent, profitability was higher than the pre-crisis level of 2019 (2020: 4.7 percent, 2019: 8.1 percent).

The company once again paid a dividend to shareholders in 2021 after suspending its dividend payout in 2020 in light of the unpredictability surrounding the ramifications of the COVID-19 pandemic. Based on EUR 0.60 per eligible share, the total payout corresponded to EUR 41.7 million. In addition, treasury shares in the total amount of EUR 53 million were repurchased within the framework of a share buyback program. In light of the strong cash flow development, the Group nevertheless achieved a positive net financial position. Gearing amounted to -0.1 percent and was thus at its lowest level in ten years (Dec. 31, 2020: 10.1 percent). In light of its secure liquidity situation, the Group was able to meet all of its financial obligations in 2021.The equity ratio reached 55.4 percent (December 31, 2020: 57,3 percent).

Wacker Neuson SE is committed to an attractive shareholder remuneration policy to ensure that shareholders enjoy a steady and appropriate share of the company's profit. This framework is determined by the earnings figures and the need to ensure that the Wacker Neuson Group maintains adequate capitalization.

The Wacker Neuson SE dividend policy provides for a payout per share of 40 to 60 percent of Group earnings per share.

This dividend policy reflects the Executive Board and Supervisory Board's current goal and may be adjusted in future. Furthermore, the dividend payout is framed every year through dividend proposals made by the Executive Board and the Supervisory Board, whereby each of these bodies may deviate from the dividend policy if deemed appropriate under the prevailing circumstances. The Annual General Meeting approves the dividend proposal.

Profit, financials and assets of Wacker Neuson SE (condensed version according to HGB)

The Annual Financial Statements of Wacker Neuson SE have been prepared in accordance with the provisions of the HGB and AktG. For fiscal 2021, the Management Report of Wacker Neuson SE has been combined with the Group Management Report.

The Annual Financial Statements describe the results of business activities conducted by Wacker Neuson SE during fiscal 2021. Here it should be noted that the company operates as a management and holding company, which offers a range of Group services, in particular in the areas of marketing, human resources, information technology, finance services, corporate real-estate management and indirect procurement.

The corporate purpose of Wacker Neuson SE is holding and managing participating interests in companies that are directly or indirectly involved in the development, manufacture and sale of machines, equipment, tools and processes – particularly for the construction and agricultural industries – as well as the provision of all associated services.

The holding is responsible for strategic functions of Group management. The Group Executive Board plus the following central, Group-wide departments are vested with the holding company: Group controlling, Group accounting, Group treasury, legal (including patent management), internal auditing, compliance, real estate, strategy, mergers and acquisitions, investor relations, sustainability, corporate communication, corporate IT, corporate marketing, process consulting, sales development and controlling, sales financing, corporate taxes and corporate human resources. The company employed 205 people on average in fiscal 2021 (2020: 234).

In its capacity as a management and functional holding, the company also delivers administrative, financial, commercial and technical services to the holding entities, in return for a fee under the terms and conditions customary in the market. Some of these service contracts are reciprocal agreements.

The Annual Financial Statements were prepared in accordance with the HGB, in the version applicable at the balance sheet date. The income statement is prepared according to the cost-of-sales method.

Revenue for 2021 amounted to EUR 50.2 million (2020: EUR 41.6 million). This was generated through the provision of services by Wacker Neuson SE to its affiliates. The services delivered mainly comprised EUR 22.3 million in IT services (2020: EUR 15.1 million), EUR 16.3 million in management services (2020: EUR 13.6 million), EUR 4.5 million in marketing services (2020: EUR 3.8 million), expenses related to the Wacker Neuson Training Center in the amount of EUR 0.5 million (2020: EUR 2.5 million) as well as other sales and administration services in the amount of EUR 4.0 million (2020: EUR 4.0 million).

The increase in relation to IT services mainly resulted from the greater use of cloud-based software solutions and the higher number of IT projects. The figure also includes rental income in the amount of EUR 1.7 million from the letting of premises in Munich to the affiliates based there and to an external tenant (2020: EUR 1.8 million).

Breaking revenue down by region, EUR 45.4 million can be attributed to Europe (2020: EUR 36.9 million), EUR 4.0 million to the Americas (2020: EUR 3.9 million) and EUR 0.8 million to Asia-Pacific (2020: EUR 0.8 million).

Cost of sales amounted to EUR 47.3 million (2020: EUR 39.0 million) and gross profit on revenue came to EUR 2.9 million (2020: EUR 2.6 million).

INCOME STATEMENT FOR WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	2021	2020
Revenue	50.2	41.6
Cost of sales	-47.3	-39.0
Gross profit	**2.9**	**2.6**
General and administrative expenses	-30.8	-48.8
Other income	43.0	27.4
Other expenses	-5.8	-22.8
Income from participating interests	28.9	–
Income from profit transfer agreements	57.5	40.0
EBIT	**95.7**	**-1.6**
Interest and similar income	9.1	20.4
Write-ups on financial assets	7.0	1.1
Write-downs on financial assets	-6.8	-33.9
Interest and similar expenses	-6.8	-7.3
Taxes on income and earnings	-12.9	-16.5
Profit after tax	**85.3**	**-37.8**
Other taxes	-0.1	-0.1
Net profit/loss	**85.2**	**-37.9**
Profit/loss carried forward	162.6	242.3
Retained earnings	**247.8**	**204.4**

General administrative expenses amounted to EUR 30.8 million in fiscal 2021 (2020: EUR 48.8 million). In the previous year, loan repayments due from affiliated companies in the amount of EUR 14.6 million were written down due to the COVID-19 pandemic and the associated uncertainties (2021: EUR 0.0 million).

Other income came to EUR 43.0 million (2020: EUR 27.4 million). This figure primarily includes income from allocations from IT and marketing services rendered by affiliates in the amount of EUR 10.1 million (2020: EUR 11.8 million), foreign exchange gains in the amount of EUR 9.9 million (2020: EUR 14.3 million), income from the reversal of write-downs on receivables amounting to EUR 16.6 million (2020: EUR 0.0 million) as well as income from the release of provisions from the previous year amounting to EUR 0.5 million (2020: EUR 0.2 million).

Other operating expenses amounted to EUR 5.8 million in fiscal 2021 (2020: EUR 22.8 million). This figure mainly comprises foreign exchange losses in the amount of EUR 5.6 million (2020: EUR 22.5 million), which are related to long-term and internal Group borrowings and receivables from affiliated companies.

Wacker Neuson SE is dependent on the performance of its participating interests and the profit that they yield. In 2021, Wacker Neuson SE received EUR 28.9 million in affiliate dividends from the Group (2020: EUR 0.0 million).

The payout of affiliate dividends was suspended in 2020 in light of the unpredictability surrounding the ramifications of the COVID-19 pandemic. This measure was aimed at strengthening the financial position and resilience of the affiliates.

Income from shareholdings in companies (dividends plus proceeds from the profit transfer agreement) amounted to EUR 86.4 million

(2020: EUR 40.0 million). The income from the profit transfer agreement stems from agreements concluded with affiliates.

Write-downs on financial assets decreased to EUR 6.8 million in fiscal 2021 (2020: EUR 33.9 million). In view of the uncertainties surrounding the COVID-19 pandemic, selective business plans in developing countries were cautiously and critically appraised in 2020, which resulted in an increased need for write-downs.

Wacker Neuson SE realized earnings before interest and taxes (EBIT) of EUR 95.7 million (2020: EUR -1.6 million). Earnings after taxes were positive at EUR 85.3 million due to the above-described effects in relation to dividend income and write-downs on financial assets (2020: EUR -37.8 million). Therefore, the Group reported a profit for the period in the amount of EUR 85.2 million (2020: loss for the period of EUR 37.9 million).

Assets and financials

Group software licenses, primarily for the ERP (Enterprise Resource Planning) system as well as for the operating systems and office applications deployed across the Group are capitalized by Wacker Neuson SE. The holding company provides Group members with these licenses in return for a fee. Wacker Neuson SE reported intangible assets of EUR 9.0 million at December 31, 2021 for licenses and similar rights (2020: EUR 13.1 million). This drop is primarily attributable to a significantly lower investment volume compared with the previous year.

The property held by Wacker Neuson SE refers to the site of the Group headquarters in Milbertshofen, Munich (Germany). Wacker Neuson SE reported property, plant and equipment in the amount of EUR 26.6 million at December 31 2021 (2020: EUR 28.0 million).

Financial assets are comprised of holdings in Group members amounting to EUR 611.5 million (2020: EUR 593.6 million), loans to affiliated companies in the amount of EUR 75.9 million (2020: EUR 71.8 million) and participating interests amounting to EUR 3.0 million (2020: EUR 3.0 million). The change in holdings in affiliated companies resulted from capital increases of EUR 18.6 million (2020: EUR 4.6 million), a debt-to-equity swap of EUR 5.5 million, disposals of shareholdings in the amount of EUR 2.4 million (2020: EUR 1.7 million) and one-off impairment losses in line with Section 253 (3) Sentence 4 HGB in the amount of EUR 6.8 million (2020: EUR 29.1 million) as well as write-ups in the amount of EUR 2.9 million (2020: EUR 0.8 million).

The increase in loans is mainly attributable to net currency gains in the amount of EUR 4.1 million (2020: currency losses in the amount of EUR 4.8 million).

Total assets attributable to Wacker Neuson SE amounted to EUR 726.0 million at the closing date (2020: EUR 709.5 million).

Trade receivables from customers and sales partners within Germany and beyond also accrue almost entirely to the operational companies. Receivables from affiliated companies decreased to EUR 365.2 million (2020: EUR 398.3 million). This was primarily due to the repayment of short-term loans by affiliates.

Wacker Neuson SE receivables are mainly related to its shareholdings in Group members, in particular resulting from short-term borrowings and receivables within the framework of the cash pool. Wacker Neuson SE reported liquid funds of EUR 391.9 million at December 31, 2021 (2020: EUR 296.3 million).

BALANCE SHEET OF WACKER NEUSON SE (CONDENSED VERSION)

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	9.0	13.1
of which: licenses for industrial property rights and similar	8.7	12.9
of which: payments on account/assets	0.3	0.2
Property, plant and equipment	26.6	28.0
of which: land, land titles and buildings on third-party land	25.2	26.4
of which: office and other equipment	1.4	1.6
Financial assets	690.4	668.4
of which: shareholdings in affiliated companies	611.5	593.6
of which: loans to affiliated companies	75.9	71.8
of which: investments	3.0	3.0
Assets	**726.0**	**709.5**
Receivables from affiliated companies	365.2	398.3
Other assets	6.3	5.1
Liquid funds	391.9	296.3
Current assets	**763.4**	**699.7**
Deferred items	**2.5**	**1.7**
Deferred tax assets	14.5	4.9
Balance sheet total (assets)	**1,506.4**	**1,415.8**
Equity	**931.7**	**941.3**
of which: subscribed capital	68.0	70.1
of which: capital reserves	584.0	584.0
of which: revenue reserves	31.9	82.8
of which: retained earnings	247.8	204.4
Special tax-free reserves		**–**
Other provisions	**38.0**	**48.3**
Liabilities	**536.7**	**426.2**
of which: borrowings from banks	326.6	347.8
of which: trade payables	2.5	2.8
of which: payables to affiliated companies	197.0	73.2
of which: other liabilities	10.6	2.4
Balance sheet total (liabilities)	**1,506.4**	**1,415.8**

Total current assets amounted to EUR 763.4 million at the closing date (2020: EUR 699.7 million). The balance sheet total came to EUR 1,506.4 million (2020: EUR 1,415.8 million).

Deferred tax assets at December 31, 2021 in the amount of EUR 14.5 million are attributable – as per the prior year (2020: EUR 4.9 million) – in particular to temporary valuation differences in partnership shareholdings and provisions for pensions; deferred tax liabilities are largely due to the allocation of reserves according to Section 6b of the German Income Tax Act (EStG).

The marked increase relative to the prior-year figure in the amount of EUR 9.6 million largely resulted from a restatement of net deferred tax assets, which were understated the prior year and amounted to EUR 7.4 million during the year under review, and from the increase in deferred tax assets in connection with shareholdings in partnerships in the amount of EUR 1.4 million. Section 268 (8) HGB prohibits payout of the excess of deferred tax assets over deferred tax liabilities.

DIVIDEND TRENDS

	2022	2021	2020	2019	2018
Eligible shares (million)	68.02	70.14	70.14	70.14	70.14
Dividend per share in €[1] (in brackets: special dividend)[2]	0.90	0.60	–	0.60 (0.50)	0.60
Total payout € million	61.2	41.7	–	77.2	42.1
Payout ratio as a % of Group profit per share for previous year	45.2	300.0	–	53.4	48.0

[1] At the AGM on June 3, 2022, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.90 per share for fiscal 2021.
[2] For fiscal 2018, in addition to a dividend of EUR 0.60 per share, a special dividend of EUR 0.50 per share was distributed in connection with the extraordinary income from the sale of a Group real estate company.

At December 31, 2021, the company's equity amounted to EUR 931.7 million (2020: EUR 941.3 million). Wacker Neuson SE's share capital remained stable at EUR 70.14 million. This refers to 70,140,000 registered shares, each representing a proportionate amount of the share capital of EUR 1.00.

Provisions amounted to EUR 38.0 million (2020: EUR 48.3 million). The change compared with the previous year was mainly attributable to a drop in tax provisions (2021: EUR 0.0 million; 2020: EUR 19.5 million) and, moving in the opposite direction, the effect of an increase in other provisions, which rose to EUR 22.9 million (2020: EUR 14.7 million). The change in tax provisions is primarily attributable to the deferral of advance payments in 2020. The rise in other provisions primarily stems from a higher provision for financial obligations resulting from the liquidation of affiliates.

Wacker Neuson SE has significant external financial liabilities as a result of the cash pools and other financing agreements with Group companies. These liabilities are managed by the holding's corporate treasury department, which is the central instance responsible for securing and managing liquidity across the Group. Borrowings from banks fell to EUR 326.6 million (2020: EUR 347.8 million). This was due to a sharp drop in refinancing requirements related to the financing of affiliates. Under payables to affiliated companies, Wacker Neuson SE reports trade payables and current liabilities from the cash pool. At the closing date, payables to affiliated companies amounted to EUR 197.0 million (2020: EUR 73.2 million). This rise was primarily fueled by liabilities under the cash pool as some affiliates generated credit balances in the cash pool as a result of net working capital optimizations.

Other liabilities amounted to EUR 10.6 million (2020: EUR 2.4 million). The rise was mainly attributable to the receipt of trade tax advance payment statements at the end of 2021 in the amount of EUR 8.3 million (2020: EUR 0.0 million).

In summary, company management feels that Wacker Neuson SE's financial position remains strong.

Dividend policy and proposal
Wacker Neuson SE has adopted an attractive shareholder remuneration policy to ensure that shareholders enjoy a steady and appropriate share of the company's profit. This framework is determined by the earnings figures and the need to ensure that the Wacker Neuson Group maintains adequate capitalization.

The Wacker Neuson SE dividend policy provides for a payout per share of 40 to 60 percent of Group earnings per share.

This dividend policy reflects the current objective of the Executive Board and the Supervisory Board and it may be modified in the future. In addition, corresponding dividend proposals from the Executive Board and the Supervisory Board are required for the payment of a dividend in a given year, and both of these bodies could decide to depart from this dividend policy if they see fit under the prevailing circumstances. The decision on the dividend is made by the AGM.

At the AGM on June 3, 2022, the Executive Board and the Supervisory Board will propose a dividend payout of EUR 0.90 per share for fiscal 2021.

Annual Financial Statements of Wacker Neuson SE in full
The auditing company Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany, has audited the Annual Financial Statements of Wacker Neuson SE in full and issued a report without reservations. The audited report will be published in the electronic Federal Gazette. It can be accessed at → www.wacker-neusongroup.com under Investor Relations.

Guidance for Wacker Neuson SE
Wacker Neuson SE believes that it will continue to receive sufficient income from its participating interests in the future for it to make appropriate dividend payments to its shareholders.

Statement from the Executive Board pursuant to Section 312 AktG
The following declaration 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."

The Executive Board

Segment reporting by region

- Positive contribution to earnings across all reporting regions
- Revenue in Europe already significantly higher than pre-pandemic level
- Much greater willingness to invest among major customers

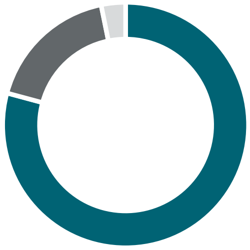
With its broad portfolio spanning light equipment, compact equipment weighing up to 15 tons, and a complementary, rich service offering, the Wacker Neuson Group serves end customers as well as dealers, rental companies and importers worldwide. Segment reporting provides an overview of business developments according to the regions of Europe (EMEA),[1] the Americas and Asia-Pacific. These geographical segments form the basis for corporate governance.

Europe (EMEA)[1]

European countries see strong recovery
Following the sharp fall in revenue in the pandemic crisis year of 2020, which was felt in some European countries more than others, almost all of the key European markets for the Wacker Neuson Group saw a marked recovery in 2021.

In Europe (EMEA),[1] revenue increased to EUR 1,477.5 million, a rise of 14.6 percent (2020: EUR 1,289.7 million). This clearly exceeded the previous record reached in 2019 (2019: EUR 1,379.0 million). When adjusted for currency effects, this corresponds to a rise of 14.6 percent relative to 2020. Owing to a slower rate of growth relative to the Americas region, Europe's share of revenue fell in fiscal 2021 to 79.2 percent (2020: 79.8 percent).

2021 REVENUE DISTRIBUTION BY REGION
AS A % (PREVIOUS YEAR)

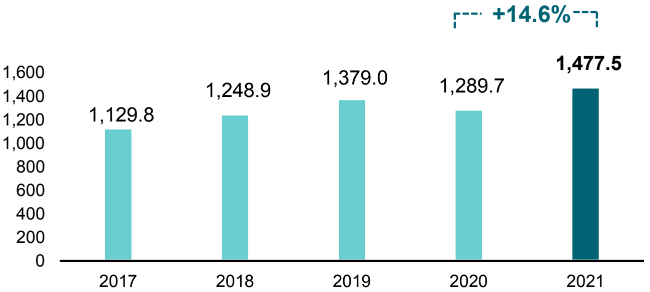


In the construction sector, growth was driven by the domestic markets of Germany and Austria, among others. This performance was achieved against a strong baseline from the previous year despite the coronavirus pandemic. Business also developed very strongly in the UK, driven in part by strong growth in compact equipment. In the majority of countries in Southern, Eastern and Northern Europe, the Group was also able to report high double-digit growth, albeit against a lower baseline in some cases due to the previous impact of the coronavirus pandemic.

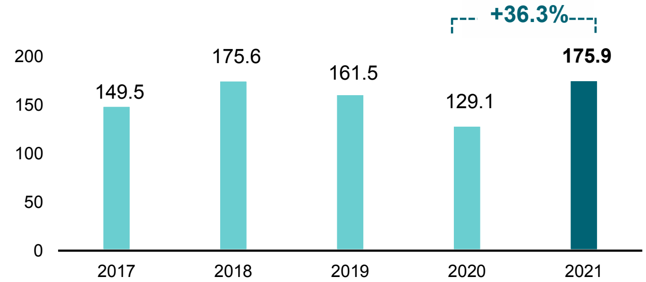
There was an upturn in business with key accounts in 2021 after dealers and rental chains had heavily scaled back their investment activities against the uncertain backdrop in 2020.

Business with customers in the agricultural sector served by Group brands Kramer and Weidemann again developed particularly well. Despite the high baseline from 2020 – when the fall in revenue amounted to 1.9 percent – the Group managed to grow its revenue in this sector by 14.5 percent to EUR 348.4 million (2020: EUR 304.3 million). Before consolidation, earnings before interest and taxes (EBIT) in the region increased by 36.3 percent to EUR 175.9 million (2020: EUR 129.1 million). This was primarily attributable to the significant increase in business volume.

REVENUE DEVELOPMENT IN EUROPE (EMEA)[1]
IN € MILLION



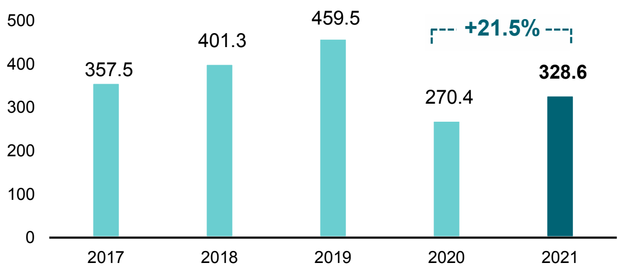
EBIT DEVELOPMENT IN EUROPE (EMEA)[1, 2, 3]
IN € MILLION



[1] Including Turkey, Russia, Africa and the Middle East.
[2] Before consolidation.
[3] In fiscal 2019, there was a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Figures for 2018 have been adjusted accordingly.

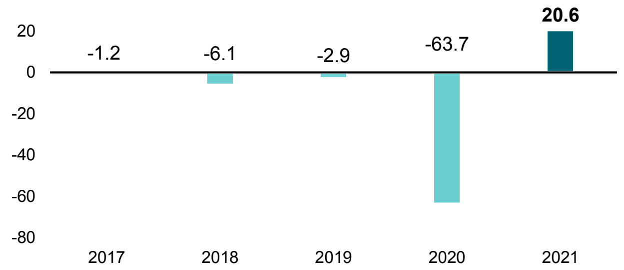
REVENUE DEVELOPMENT IN THE AMERICAS

IN € MILLION



EBIT DEVELOPMENT IN THE AMERICAS[1, 2]

IN € MILLION



[1] Before consolidation.

[2] In fiscal 2019, there was a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Figures for 2018 have been adjusted accordingly.

Americas

Recovery in the Americas with significant rise in earnings

Revenue in the Americas – a region that was particularly hard hit by the COVID-19 pandemic – recovered strongly in fiscal 2021 with an increase of 21.5 percent to reach EUR 328.6 million. This figure still fell short of the 2019 pre-crisis level, however (2020: EUR 270.4 million, 2019: EUR 459.5 million). The region's share of total revenue increased to 17.6 percent (2020: 16.7 percent). When adjusted for currency effects, revenue for the fiscal year increased by 23.8 percent.

As in previous years, the USA and Canada accounted for the largest share of revenue in the Americas region. Customers in the United States remained cautious about investments at the start of the year in particular. However, business picked up markedly as the year progressed, driven in part by the gradual upturn in demand from rental firms. The Group benefited here among other things from renewed demand for worksite technology and compaction products as well as from significant gains in compact equipment, especially excavators and dumpers. Business developed particularly well in Canada, where the Group was able to exceed its pre-crisis revenue level thanks to high delivery volumes – particularly of excavators and wheel loaders for the agricultural sector.

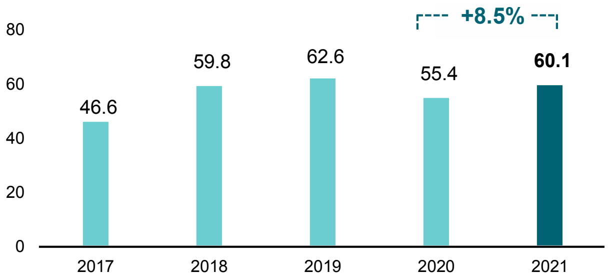
Wacker Neuson offers flexible financing programs to its dealers in the USA and Canada in order to further expand its dealer network in the region. In fiscal 2020, the Group concluded an asset-backed securities (ABS) program with an external partner. The objective of this program is to strengthen the competitive position of financial services in the important growth market of North America, especially in the compact equipment segment. It involves the transfer of receivables to the ABS program, with a smaller component of these receivables remaining on the balance sheet of the Wacker Neuson Group as part of a loss pool agreement. The net result amounted to EUR 71.0 million in 2021 (2020: EUR 28.0 million). Receivables in the total amount of EUR 120.5 million have already been transferred to the ABS program.

Challenging market conditions continued to prevail in South America against the backdrop of the COVID-19 pandemic and political uncertainties. In view of the continued focus on core markets, the Group also clearly streamlined its sales structures in South America in fiscal 2020, handing over its sales activities in Brazil, Chile and Peru to long-standing local partners.

The adjustment of the sales structures in South America and the extensive restructuring of the North American organization helped to reduce fixed costs in the region. Furthermore, a net positive effect from adjustments to receivables in the amount of EUR +15.5 million had a significant impact on earnings before interest and taxes (EBIT). At EUR 20.6 million, this was on the positive side again in fiscal 2021 (2020: EUR -63.7 million). In the previous year, the earnings figure included allowances for doubtful receivables in the amount of EUR 30.8 million as well as the impairment of goodwill attributed to the US subgroup in the amount of EUR 9.2 million. One-off expenses amounting to EUR 6.3 million were also incurred in 2020 in connection with the Group's program to reduce costs and increase efficiency.

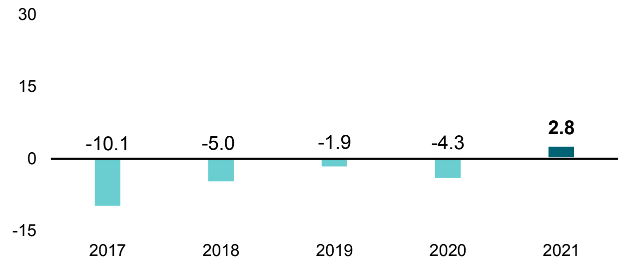
REVENUE DEVELOPMENT IN ASIA-PACIFIC

IN € MILLION



EBIT DEVELOPMENT IN ASIA-PACIFIC[1, 2]

IN € MILLION



[1] Before consolidation.
[2] In fiscal 2019, there was a change in the way income from customer financing is reported. Interest income was moved from the financial result and other income to the revenue line. Figures for 2018 have been adjusted accordingly.

Asia-Pacific

Positive development in Australia, challenging market situation in China and Southeast Asia

In Asia-Pacific, revenue increased relative to the previous year by 8.5 percent to EUR 60.1 million (2020: EUR 55.4 million). Adjusted for currency effects, this corresponds to an increase relative to the previous year of 4.3 percent. The region's share of total revenue decreased to 3.2 percent (2020: 3.4 percent).

Once again, Australia and China were the Group's largest markets in this region in fiscal 2021. Growth was driven by positive business developments in Australia. The Group significantly increased its revenue in this market and also recorded growth in the double-digit percentage range relative to the pre-crisis year of 2019. Wacker Neuson benefitted from the expansion of its dealer network here as well as from an increased focus on independent rental firms and a product portfolio tailored to the needs of the local market. There was good demand for the Wacker Neuson Mini Loaders ("Dingo") being offered by the Group as part of an OEM partnership. → Strategic alliances, page 28 The restructuring activities of recent years have paid off, with Australia now making a substantial contribution to the positive results in the region.

Moreover, improved cost recovery at the Chinese production plant and the reversal of an impairment loss on inventory in the amount of EUR 0.9 million helped the Group achieve an EBIT of EUR 2.8 million in Asia-Pacific (2020: EUR -4.3 million). Underutilization of the Chinese plant and the extraordinary depreciation of fixed assets had negatively impacted on earnings in 2020. This was offset by a settlement payment of EUR 2.3 million from John Deere to make up for the significant shortfall in target volumes under the existing OEM partnership.

The Group continued to face a challenging market environment with significant price pressure in China. Based on the overcapacities of Chinese competitors and the weak growth prospects for the Chinese construction equipment market, the Wacker Neuson Group is expecting to face challenging market conditions again in 2022. The Group therefore intends to increasingly focus on the Pacific region as well as non-regulated export markets such as Africa and South America for its future sales of equipment produced at the Chinese plant. Keen to maintain its strategic focus on the Chinese market, however, Wacker Neuson will instead concentrate on the successful positioning of niche products. One example is breaker products, which saw strong demand in 2021. In the long term, the distribution of all-electric light and compact equipment also has the potential to become a growth driver in the Chinese market.

Segment reporting by business segment

- Double-digit revenue growth in light and compact equipment
- Strong demand for compact equipment for the agricultural sector

In addition to geographical segmentation, which is relevant for corporate governance, the Group also breaks revenue down according to business segment (light equipment, compact equipment and services).

Light equipment

The light equipment business segment covers the Wacker Neuson Group's activities within the strategic business fields of concrete technology, compaction and worksite technology. Production is synchronized with demand and delivery times are short. Light equipment is manufactured in Germany, the US and, since 2018, also in China.

The Group distributes a range of light equipment products tailored to local markets in Asia and other emerging economies such as South America and Africa (Value Line). Since the middle of 2018, these machines have primarily been manufactured at the Chinese plant in Pinghu.

REVENUE DISTRIBUTION 2021 BY BUSINESS SEGMENT[1]
AS A % (PREVIOUS YEAR)

21.3 Light equipment (21.6)
56.6 Compact equipment (53.9)
22.1 Services (24.5)

[1] Consolidated revenue before cash discounts, differences attributable to rounding.

Revenue in the light equipment segment increased in the period under review by 13.4 percent to EUR 399.1 million (2020: EUR 351.8 million).[1] Adjusted for currency effects, revenue rose 13.9 percent. Growing at a slower rate than the compact equipment segment, the light equipment segment's share of Group revenue fell slightly to 21.3 percent (2020: 21.6 percent).

The Group made significant gains with its compaction technology products, in particular vibratory plates and rollers. There was also positive growth in worksite technology products, driven by recovery of the North American market. In the field of concrete technology, there was very strong demand for internal vibrators and converters in particular. Revenue was negatively impacted on the other hand by the significantly lower business volume with trowels. Wacker Neuson sold its trowel production business to the Swedish Husqvarna Group in December 2019.

In fiscal 2021, the zero emission portfolio included ten light equipment products – three rammers, six plates and the ACBe internal vibrator with battery converter backpack. Although the zero emission portfolio's share of total revenue is still in the low single-digit range at present, certain zero emission products have captured double-digit shares of revenue within their groups. For example, zero emission rammers and vibratory plates had already achieved a clear double-digit share in the comparable product categories in fiscal 2021. Both of these zero emission products achieved double-digit growth relative to the previous year.

Compact equipment

The compact equipment business segment covers machinery targeted at the construction, agricultural, gardening and landscaping, municipal, recycling and manufacturing sectors. This portfolio includes wheel loaders, telescopic wheel loaders, telehandlers, skid steer loaders, wheel and track dumpers and tracked and wheel excavators weighing up to 15 tons. The Group also offers special attachments and accessories for products in this segment. The Group produces the machinery in Germany and Austria. Skid steer loaders are produced in the US. Since the start of 2018, excavators have also been produced in China in addition to Austria.

Revenue in this business segment increased relative to the previous year by 20.9 percent to reach EUR 1,063.0 million (2020: EUR 878.9 million)[1] and was thus slightly higher than the record level achieved in 2019. Adjusted for currency effects, revenue rose 20.7 percent. As a result, this segment's share of total revenue increased to 56.6 percent (2020: 53.9 percent). This entailed double-digit growth rates across the entire product portfolio.

In fiscal 2021, the zero emission portfolio included eight compact equipment products – six for the construction sector and two for the agricultural sector. The revenue share of all-electric machines in the product categories which include both an electric and a combustion model was therefore comfortably in the double-digit range. In some product groups, the Group was able to more than double its revenue on the previous year – albeit against a comparatively low absolute baseline.

Business with customers in the agricultural sector again developed particularly well. Despite the high baseline from 2020 – when the fall in revenue amounted to 1.9 percent – the Group managed to grow its revenue in this sector by 14.5 percent to EUR 348.4 million (2020: EUR 304.3 million). Agricultural compact equipment's share of Group revenue[1] remained virtually unchanged at 18.6 percent (2020: 18.7 percent).

The agricultural sector is becoming an increasingly important target market for compact equipment for the Wacker Neuson Group. Increasingly global competition for agricultural products is putting pressure on landholders to invest in efficiency-enabling technologies. The Group brand Weidemann already has an established and dense network of dealers – particularly in Central Europe. Alongside this, the Group intends to establish Weidemann as a strong brand in the agricultural sector in Canada. Weidemann won numerous new dealers here in fiscal 2021. Kramer's agricultural sales network is also continuing to expand. To support this, Kramer entered into a partnership with the US-based John Deere Group in 2017 for the distribution of telescopic handlers and wheel loaders for the agricultural market. Annual sales volumes have continuously increased since the start of the cooperation,

[1] Before cash discounts.

including in 2020 despite the severe impact of the COVID-19 pandemic. This allowed Kramer to significantly increase its market share in both wheel loaders and telescopic handlers. Kramer was able to get numerous dealers on board in recent years in Central European markets, as well as in Southern Europe, the UK and Scandinavia. The first dealers were also added to the network in Eastern Europe and Russia. Buoyed by the positive feedback to the strategic alliance in Europe, the two partners decided to expand it to other regions of the world. This resulted in the first dealers in Australia and New Zealand being signed up in 2021 (for further information, refer to → Strategic alliances, page 28).

Services

The Wacker Neuson Group attaches great importance to customer-centric services as well as intensive, individualized support. The Group complements new equipment sales with an extensive range of complementary services. The services segment covers the business fields of repair, service and spare parts, used equipment, financing, telematics solutions, e-business and flexible rental solutions. The services segment also encompasses limited sales of third-party equipment, including for example the resale of trade-ins.

In fiscal 2021, revenue[1] in the services segment, driven by strong growth in the profitable spare parts business, increased by 4.1 percent to EUR 415.2 million (2020: EUR 399.0 million). Adjusted for currency effects, revenue grew by 5.4 percent. Owing to the disproportionately low rate of growth compared to the light and compact equipment segments against a high baseline from 2020, the services segment's share of Group revenue contracted to 22.1 percent (2020: 24.5 percent). Growth in the spare parts business is partly attributable to the optimization of spare parts availability for customers. To this end, the centralization of spare parts and the implementation of global inventory management had already been completed in 2020. Alongside this, the roll-out of the ePartner ordering platform continued in fiscal 2021, with the result that almost all dealers and also key accounts can now place their orders electronically.

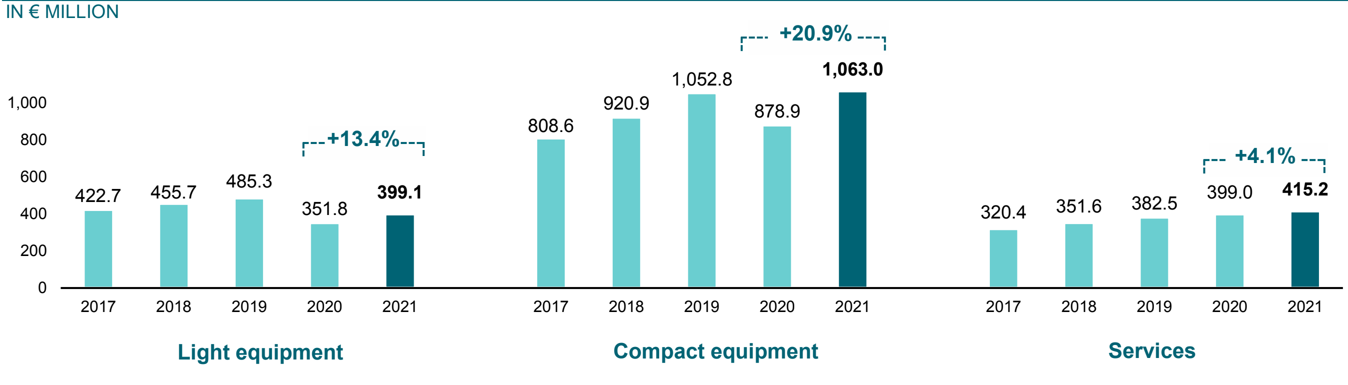
One of the Group's objectives is to offer its customers maximum flexibility when it comes to product choice. By offering its own rental fleet in selected European countries, the Group can quickly make equipment available – as and where it is needed. The Group's service offering also focuses in particular on medium- and longer-term solutions, re-rentals, hire-purchase agreements and a broad selection of relatively new used equipment. Supplementing this, the Group offers customers trade-in deals on used equipment. Wacker Neuson reconditions these second-hand machines as appropriate and places them on the used equipment market. While the rental business recorded growth again in fiscal 2021, rental equipment sales declined in the face of stronger sales of new equipment. This decline must also be viewed in the light of a high baseline from 2020, when customers had been more inclined to buy a rental machine given the uncertainty surrounding the pandemic.

The traditional repair and service business developed at a stable rate in 2021. With customers prioritizing investments in new equipment, demand for services like maintenance and repair stagnated.

Development of the compact business in particular accommodates the growing demand for financing solutions among customers. The Wacker Neuson Group is extending its offering here to more international markets and collaborating with strong, independent financing partners.

Growing importance of digital services
The Group is continuing to expand its digital service offering. Trends like digital connectivity to integrate customers into different business processes are key to adding further value to the Group's products. In the digital service space, new features and services have been added to the EquipCare telematics solution and the Group continued to roll it out across all brands and regions (for more information, see → Other factors that impacted on results: Sales, service and marketing, page 53 ff.). Work also continued on implementation of the digital fleet sharing solution EquipZip. This rental app enables end users and construction companies to contactlessly locate, reserve and rent a wide range of machines around the clock. The app can be customized and thus easily adapted for markets worldwide. It is currently being rolled out to selected markets to evaluate user friendliness.

DEVELOPMENT BY BUSINESS SEGMENT 2017–2021[1]
IN € MILLION



[1] Revenue before cash discounts.

[1] Revenue before cash discounts.

Other factors that impacted on results

RESEARCH AND DEVELOPMENT

	2021	2020	2019	2018	2017
R&D costs (€ million)	45.5	32.5	36.9	35.9	35.8
R&D costs (as a % of revenue)	2.4	2.0	1.9	2.1	2.3
Capitalized expenses (€ million)	29.3	31.7	26.3	18.4	13.4
Capitalization ratio as a %	39.2	49.4	41.6	33.9	27.2
Amortisation and write-offs on capitalized expenses (€ million)	16.7	15.9	11.2	9.0	9.3
R&D costs incl. capitalized expenses (€ million)	74.8	64.2	63.2	54.3	49.2
R&D share incl. capitalized expenses (as a % of revenue)	4.0	4.0	3.3	3.2	3.2

Research and development

- Research and development as a key success factor
- Expansion of battery-powered light and compact equipment offering

Research and development as the foundation for long-term success

Research and development play a key role in the success of the Wacker Neuson Group. In fiscal 2021, R&D costs (including capitalized expenses) were significantly higher than the previous year at EUR 74.8 million (2020: EUR 64.2 million). The R&D ratio expressed as a percentage of revenue remained constant at 4.0 percent in view of the double-digit growth in the volume of business (2020: 4.0 percent).

The Wacker Neuson Group actively protects its innovative products and processes against unauthorized imitations through patents and utility models. In fiscal 2021, the Group filed 35 new patents and utility models around the world (2020: 34), and 15 patents and utility models were granted (2020: 11). In total, the Wacker Neuson Group owns over 216 patents and utility models worldwide (2020: 216).

Market insights through “front-loading”

The Wacker Neuson Group attaches considerable importance to front-loading in its product development process. The aim of front-loading is to focus on detailed planning and simulation activities in the early stages of a project in order to reduce unnecessary resource and material consumption further down the line. Above all, this entails understanding customer requirements, technical functionality and the operational performance of a product. Maintaining close contact with customers is a very important part of this process, as is ongoing internal alignment and the use of digital models. This approach enables the Group to identify potential for improvement, strengthen its innovative drive and ensure that the products under development deliver more value to customers. Involving customers at an early stage in projects also prevents unnecessary development loops. This in turn saves time and materials, allowing resources to be redeployed more productively elsewhere.

Digitalization and virtual product development

The Wacker Neuson Group places particular emphasis on the use of new technologies in its development activities. The opportunities presented by virtual and augmented reality are being harnessed in industrial design and product engineering, and will also be deployed for optimized planning of production workflows in future. These technologies enable engineers and also customers to experience machines in a virtual environment and test, for example, the ergonomic design of a cockpit before an initial prototype has even been built. Such technologies can also support the development process through virtual tests and simulations – also of the product assembly process. Simulation eliminates the need for resource-intensive building and reworking of physical prototypes. All of this makes the overall research and development process faster, more efficient and more sustainable. It also promotes interdisciplinary collaboration across multiple sites, helping teams conserve resources while working together efficiently.

Focus on environmentally friendly products, reducing emissions is a key priority

The Wacker Neuson Group believes that its products can make a contribution to climate protection. Reaching beyond its obligation to continuously adapt and evolve its portfolio in line with regulatory requirements, the Wacker Neuson Group has made a conscious decision to develop a broad offering of environmentally sound products and services. Environmental criteria are an integral part of the product specification process, helping to incorporate these demands early on into the development workflow.

Looking past the reduction of exhaust emissions, the Wacker Neuson Group’s eco-efficiency and energy efficiency activities are also key levers in the drive to develop an even more environmentally friendly and safer product portfolio in the future. This includes the development of new control systems for optimizing drive technologies in machines. Functions such as energy-saving mode reduce fuel consumption and improve energy efficiency. The Group’s engineers also focus on developing new drive concepts and standardizing components used in different models, modules and product groups.

Broad portfolio of battery-powered light and compact equipment

Electromobility is framed by Strategy 2022 and also hardwired into the Group’s technology roadmap for the coming years. With its zero emission product line, Wacker Neuson offers a broad portfolio of electrically powered light and compact equipment. This includes battery-powered rammers and vibratory plates for soil compaction, internal vibrators for concrete compaction, a track and a wheel dumper, a hybrid mini excavator, an all-electric mini excavator and wheel loaders for the construction and agricultural industries. In fiscal 2021, a new generation of electrically powered vibratory plates was added to the range. The company’s zero emission product portfolio paves the way for emissions-free, low-noise construction work in sensitive environments such as residential zones, tunnels, underground car parks and indoor areas. Not only do the products in this range offer enhanced protection for users and the environment, they also require less maintenance and have lower operating costs than equipment powered by conventional drives.

Zero emission solutions are already an attractive addition to fleets for both end customers and rental companies. Sales of battery-powered products are growing fast although they still account for a comparatively small share of the Group's total revenue. The Wacker Neuson Group believes that alternative drive concepts will play a key role in the future of the construction and agricultural equipment industries and remains committed to channeling above-average investments into this area. In light of the ambitious goals set out in the EU's Green Deal, the Group also expects the construction sector to be subject to more stringent regulations over the coming years. Enabled in part by the further advancements in battery technologies currently anticipated, battery-powered light and compact equipment is expected to experience a strong increase in market uptake. As such, the Wacker Neuson Group intends to firmly remain on its current strategic path and aims to further ramp up the development of new electrically powered machines.

Modularization plays an important role in new product development at the Wacker Neuson Group. The batteries for the Group's existing electric vibratory plates, rammers and high-frequency internal vibrators, for example, are all interchangeable. This solution saves customers money and is also beneficial for the environment as it means that fewer batteries are required overall.

The importance of product safety, user protection and ergonomics

Customer safety is a top priority for Wacker Neuson. The company aims to deliver machines that are easy to use, do not pose any risk to the operator and provide the best possible support for construction site workflows. Wacker Neuson continuously improves user safety by making technical modifications to existing products and developing new, innovative products such as the Dual View wheel dumper. The operating and seat console of this dumper can be rotated through 180 degrees; unlike conventional dumper models, this ensures that the operator can always drive straight ahead and has a clear view in the direction of travel. In hazardous environments such as tunnels, the Dual View concept increases operator safety, for instance by reducing the amount of maneuvering required. With its comfortable design and outstanding safety levels, the Dual View dumper has opened up a new market segment as it can be used in many applications where contractors previously had to rely on construction site trucks.

Looking beyond functional design, development work also focuses heavily on operator ergonomics. Wacker Neuson is the only provider to offer excavators equipped with the Vertical Digging System (VDS), for instance. The seven models in this range come into their own wherever there is a need to navigate differences in surface height, such as when working on slopes or across the edge of curbs. This innovative concept means operators can continuously tilt the vehicle's superstructure at the push of a button, which allows them to compensate for gradients of up to 27 percent while still working in an upright position, thus minimizing fatigue.

New products and innovations in 2021

In 2021, the Wacker Neuson Group launched numerous innovations tailored to the different needs of customers worldwide and their country-specific requirements.

The Wacker Neuson brand

In 2021, the Wacker Neuson brand expanded its zero emission program with a new range of single-direction vibratory plates (APS). The three APS models use the same modular battery as the existing soil compaction models and they are suitable for both soil compaction and for asphalt surfaces. A gasoline-operated version of the new models is also available. The electric vibratory plates have the same power output as these conventional models.

A total of three battery-powered rammers, six battery-powered plates and one internal vibrator system can now be operated with the same powerful lithium-ion battery. A new battery model with a 500 Wh rating was introduced for the internal vibrator with battery converter backpack (ACBe) in 2021. This reduced the weight of the backpack system by around 3.5 kilograms to 10 kilograms, increasing portability, usability and comfort for the operator. A new standard charger is now available for the lithium-ion battery. This reduces charging times and accelerates top-up charging, adding to the flexibility of electrically powered compaction equipment.

In a move to further accelerate the transition to emissions-free construction sites, Wacker Neuson now offers its modular light equipment battery as a vendor-agnostic solution. The first cooperation partner in the "Battery One" alliance is Bomag. Under this new alliance, customers will benefit from simplified construction site logistics and CAPEX savings when they invest in battery-powered equipment, since they only have to purchase one rechargeable battery and charger. → www.wackerneuson.com/zeroemission

An innovation was unveiled in the compact equipment segment in the form of the ET58 5.5-ton excavator boasting an innovative hydraulic system (load sensing flow sharing). This machine automatically adapts to the current load and the joystick movements always remain smooth for the user, thus enhancing operator ergonomics.

In North America, the new SM100 utility track loader was unveiled. This versatile, maneuverable and compact machine for gardening and landscaping as well as light-duty building site tasks, bulldozing work and material handling has a total width of only around 90 centimeters so it easily fits through doorways and gates. The new addition complements the portfolio of skid steer loaders, which are an important product for the North American market.

The EZ28 zero-tail excavator was specially developed for the Asian market and was introduced in China in 2021. Assembled at the Chinese plant in Pinghu, the excavator boasts a robust design, low maintenance requirements and a high level of productivity.

Wacker Neuson products were once again recognized for their design in 2021 with the EZ50 zero-tail excavator receiving the Red Dot Award in the Product Design category.

The Kramer brand

Kramer launched the fully hydraulic quick-hitch system Smart Attach in 2021. This patented evolution of the Kramer quick-hitch plate allows customers to change attachments comfortably and safely without getting out and back into the cabin and therefore without major interruptions to their workflows. This feature translates into safety, flexibility and productivity gains.

In the telescopic handlers segment, Kramer unveiled two new agricultural equipment models (KT144 and KT3610) and two matching models for the construction industry (1445 and 3610) in 2021. The KT144/1445 compact telehandler is Kramer's smallest model with a height of under two meters and an approximate width of 1.6 meters, yet still with enough power to handle even heavy loads. The KT3610/3610 telescopic handler is capable of a maximum stacking height of 9.50 meters despite very compact dimensions for its class.

The Weidemann brand

In 2021, Weidemann unveiled two telescopic handlers in the 7-meter class for the first time. Both models were developed for the agricultural industry and are suited to all common tasks with the added bonus of supporting work at even greater heights.

Also in 2021, Weidemann presented a further evolution of its Hoftrac model with the 1260LP. A low access point makes it easier for the operator to get in and out of the machine and the lower height allows it to fit through doors and low entrances.

Production, procurement and logistics

- Overstretched and frequently disrupted supply chains impacting production processes around the world
- Sharp rise in material, component and shipping costs
- Progress in the alignment of production and supply chains

Overstretched and frequently disrupted supply chains impacting production processes around the world

The Wacker Neuson Group manufactures equipment at a total of seven sites worldwide:

- Reichertshofen, Germany (light equipment)
- Pfullendorf, Germany (compact equipment)
- Korbach, Germany (compact equipment)
- Hörsching, Austria (compact equipment)
- Menomonee Falls, USA (light and compact equipment)
- Pinghu, China (light and compact equipment)
- Kragujevac, Serbia (Group's internal supplier of steel construction components)

In 2021, production processes were repeatedly impacted by overstretched and – at times – disrupted supply chains. In order to minimize the loss of production slots, the company frequently needed to adjust production programs at short notice depending on the availability of materials. Owing to this situation, machines were produced for which not all of the required parts were in stock on time. As a consequence, the number of unfinished machines was significantly higher than in the previous year.

Sharp rise in material, component and shipping costs

Under cost of sales, the cost of materials and third-party services constitute major cost items. To manufacture its products, the company requires various components and raw materials – particularly steel and aluminum – and also steel construction components, precast and forged parts as well as engines, electrical/electronic components and hydraulic and chassis components. The Wacker Neuson Group faced significantly higher prices for raw materials and components in 2021. Changes in steel prices are of particular importance for the Group. There was a sharp upward trend in these prices in 2021. Shipping costs also rose quickly in 2021 and were considerably higher than the previous year's levels.

Progress in the alignment of production and supply chains

Supply chain challenges have intensified significantly due to the increase in the number of product variants, stricter emissions legislation, the introduction of new systems and components and the internationalization of procurement, production and spare parts processes.

Over recent years, extensive adjustments were made to the Group's planning processes and underlying IT systems in order to optimize the entire supply chain from procurement to delivery. The rollout of SAP IBP (Integrated Business Planning) was a key milestone here; a move that will gradually allow an integrated approach to sales and production planning to be expanded to all operative companies across the Group. In the first step, the module for sales, revenue, inventory and budget planning went live in 2020. Precise, transparent sales planning across all sales affiliates provides a clear overview of the development of global inventory. Deviations from planned target values can be identified more quickly than previously, allowing countermeasures to be implemented where necessary. As part of step two at the end of 2020, the Group started to roll out the module for supply and operations planning, which will allow Group-wide production planning processes to be directly aligned with sales planning activities. The Pfullendorf and Korbach production locations were connected in summer 2021, with the Hörsching site following at the end of the year. Integration of the Reichertshofen production facility is scheduled for 2022.

This systematic alignment of sales requirements with production and supplier capacity will improve the Group's delivery capabilities, including its ability to deliver on time, while at the same time optimizing average inventory levels held by the Group. The Group is also aiming for ever-tighter alignment between production and supply chain through intensified supplier management and targeted supplier auditing and development.

Sustainable development of suppliers

The Group is committed to continually auditing suppliers to ensure the quality of parts supplied by third parties and to secure reliable deliveries from new and existing suppliers. The Group works closely with suppliers and develops their performance, from initial selection through nomination to series production. For new projects, it works with suppliers that best meet its requirements regarding quality, delivery capabilities and cost. To ensure suppliers can meet the stringent requirements of Wacker Neuson, the Group regularly carries out supplier audits.

In its code of conduct, the Wacker Neuson Group and its employees commit to conducting themselves in a legal, ethical manner in their business dealings. The Group also expects its suppliers to comply with legal regulations and the principles set out in Wacker Neuson's ethics guidelines. These are described in the code of conduct for suppliers. → www.wackerneusongroup.com/en/the-group/compliance

Investments in further growth

The Group continued to invest in expanding the capacity of its production network in 2021. In Pfullendorf, the company built on the expansion measures initiated the previous year. Expansions to assembly and testing facilities went live in Q1 2021. At Weidemann (Korbach), work on the construction of a new administration and development building was completed. In Reichertshofen, construction began on a new automated warehouse for finished light equipment products in 2021. This is scheduled to become operational in Q3 2022 and is intended to consolidate the distribution of light equipment for Europe at the Reichertshofen site. In Kragujevac, Serbia, where the Group operates an internal supply facility for steel components, work began on a new manufacturing hall and administrative building at the end of the year. Both buildings are expected to become operational in the fourth quarter of 2022.

Digitalization in production plants
The Group's digitalization efforts, which are firmly anchored in Strategy 2022, have defined the deployment of new technologies in production as a key enabler. The Group has launched a range of smart factory initiatives here, including assistance systems in assembly, production and intralogistics processes as well as a digital fault and quality management system. In addition to this, it aims to increasingly use digital objects and models to create digital twins that simulate the physical world and enable improvements to planning projects, machine utilization and machine availability.

Sales, service and marketing

- Marketing via diversified sales channels
- Growing importance of digital solutions

The Wacker Neuson Group's customer-centric culture puts customers at the heart of everything it does. As such, the marketing and sales activities in every area of the company are tailored towards the specific needs of the company's target groups.

Global sales network – diversified sales channels
The Wacker Neuson Group's corporate culture enables an organization with decentralized responsibility, capable of responding quickly, collaboratively and unbureaucratically to the needs of sales partners and customers. Sales structures are aligned with local market dynamics, and different brands and channels are used to market Group products, spare parts and services. The Weidemann and Kramer brands, for example, are almost exclusively distributed by dealers and importers. For the Wacker Neuson brand, however, the Wacker Neuson Group maintains a network of direct sales and service stations in several European countries alongside its dealer network. This network of direct sales and service stations and the ability to rely on it to offer its customers a wide range of flexible rental, sales and service solutions is of particular benefit to the Group during the coronavirus pandemic.

In 2021, the Group again identified and certified new dealers across the world. The Group also distributes its products and services via large rental companies and retail chains.

In a number of markets, the Group has local sales affiliates that support and advise customers and dealers. The Group continually optimizes its market- and customer-specific sales network in order to consolidate and further expand its position in different markets. Sales and marketing were restructured as part of the Group-wide project "Xto1". From now on, topics and activities related to customer centricity will be steered by newly created corporate centers in collaboration with the managing directors of the sales affiliates and with the production plants and the Executive Board.

Diverse customer base
The Group's products and services are targeted at a broad range of customers in order to spread economic risk and drive further growth. The Group's end customer base includes construction companies, gardening and landscaping firms, rental firms, the agricultural sector, municipal bodies and recycling companies as well as rail transport and manufacturing companies. This makes the company less dependent on industry-specific cycles.

Partnerships with market leaders
To further extend its market reach, the Wacker Neuson Group maintains sales partnerships with selected market leaders. For detailed information on the Group's collaborations, refer to → Strategic alliances, page 28

Digitalization in sales
The Wacker Neuson Group aims to make everyday working life easier for its customers through digital solutions. Customers and dealers can use the online ordering and information platforms ePartner and eStore around the clock to find out more about products, spare parts and accessories, check their availability, configure compact equipment and place orders for equipment and spare parts. In fiscal 2021, implementation of ePartner was successfully completed for the Weidemann brand, with roll-out for the Wacker Neuson and Kramer brands continuing to progress.

End customers and dealers can all benefit from the Group's continued development of its digital service offering. The EquipCare telematics solution brings a new level of transparency to fleet management. Machines featuring EquipCare send real-time messages to the customer's device to alert the user to maintenance needs, malfunctions or unexpected relocations. The tool gives customers a comprehensive overview of their machines, their locations, operating hours, downtime and upcoming service appointments. EquipCare allows the technical support teams at customer and dealer sites to collaborate seamlessly and extremely efficiently with Wacker Neuson service engineers. This aims to streamline workflows for customers, minimize downtime, save time and increase worksite efficiencies. In future, EquipCare Pro, a cloud-based, vendor- and brand-agnostic software system for managing machines, equipment and bulk materials, will enable customers to call up all the fleet information they require from a single system – accessible by anyone from any device at any time.

Work also continued on implementation of EquipZip, a digital fleet sharing solution for the US market, in 2021. This rental app enables end users and construction companies to contactlessly locate, reserve and rent a wide range of machines around the clock. This solution is initially intended for the US, the market launch is being planned. The app can be adapted and individually configured for different markets around the world.

Individualized solutions and customer-centric strategy
The Wacker Neuson Group offers its customers across the world a range of training courses covering service, product and sales topics. Course offerings are aimed at its own sales and service employees as well as dealers, rental companies and end customers in different industries. Service, product and sales training takes place at the academies in Reichertshofen and Menomonee Falls as well as the production facilities in Pfullendorf, Korbach and Pinghu, China.

When developing new products and services, the Group focuses on innovations with the ability to contribute to the business success of its customers. It attaches great importance to close collaboration with its customers to ensure it understands exactly what they need. Customers are invited to "Voice of Customer" workshops at both the early and main stages of product development. These events provide a hands-on opportunity for participants to test equipment and machines and for Wacker Neuson to capture suggestions for improvement (see information on → front loading, page 50).

Human Resources (HR)

- Employees as key success factor
- Rise in headcount following decline in crisis year of 2020

Employees as key success factor

Wacker Neuson, Kramer and Weidemann employ around 6,000 people worldwide, all of whom are key to the Group's success and long-term growth. To develop employees' technical/commercial and soft skills and to ensure its people retain their enthusiasm for their work, the Group strives to create optimum working conditions in an open corporate culture that values and respects individual effort.

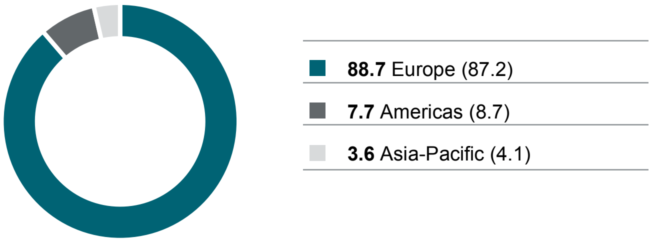
Wacker Neuson firmly believes that happy, engaged employees are more productive and achieve better results. The company is committed to promoting wellbeing in the workplace and aims to build long-term employee loyalty to the company – also in times of skills shortages.

Wacker Neuson supports employees in striking the right work-life balance and implements measures to protect employee health – something that has been a particular area of focus again in the second year of the coronavirus pandemic. To ensure employees feel well equipped to deal with technological, procedural and organizational changes at work and are able to see change as an opportunity, the company strives to identify optimization potential in workplace ergonomics, occupational health and employee wellbeing at an early stage and to implement appropriate measures.

To ensure it remains competitive in the future, the Wacker Neuson Group needs committed, skilled employees. An extensive portfolio of training and talent development courses provide opportunities for lifelong learning. For detailed information on training and talent development opportunities, and the Wacker Neuson Group's role as a responsible employer, refer to the 2021 non-financial Group report on the corporate website: → www.wackerneusongroup.com

At the December 31, 2021 closing date, the Group employed a total of 5,992 people (2020: 5,554). The number of temporary workers increased relative to the prior year's closing date to 486. This corresponds to a ratio[1] of 8.1 percent (2020: 353; 6.4 percent). In this report, the number of people working for the company is converted into full-time equivalents.

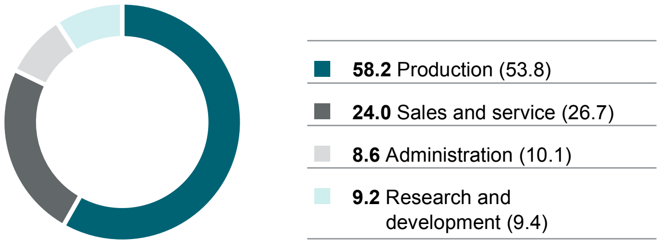
HEADCOUNT BY REGION
AS A %



Differences attributable to rounding.

5,314 (88.7 percent) of all employees were based in Europe at the balance sheet date (2020: 4,845). 464 people were employed in the Americas region (2020: 483), with 213 in the Asia-Pacific region (2020: 225). In the previous fiscal year, 58.2 percent of employees worked in production, 24.0 percent in sales and service, 8.6 percent in administration and 9.2 percent in research and development.

EMPLOYEES BY SECTOR
AS A %



Differences attributable to rounding.

Personnel costs amounted to EUR 385.3 million in 2021 (2020: EUR 363.5 million). For detailed information on personnel costs, refer to the Notes to the Consolidated Financial Statements → item 3.

NUMBER OF EMPLOYEES (GROUP)[1] AS OF DECEMBER 31

	2021	2020	2019	2018	2017	2016	2015
Employees	5,506	5,200	5,654	5,370	5,064	4,792	4,632
incl. temporary workers	5,992	5,554	6,056	6,190	5,546	5,181	5,005

[1] Number of full-time equivalents (FTE). Differences attributable to rounding.

[1] Calculation: Number of temporary workers (as FTEs) / total workforce (as FTEs)

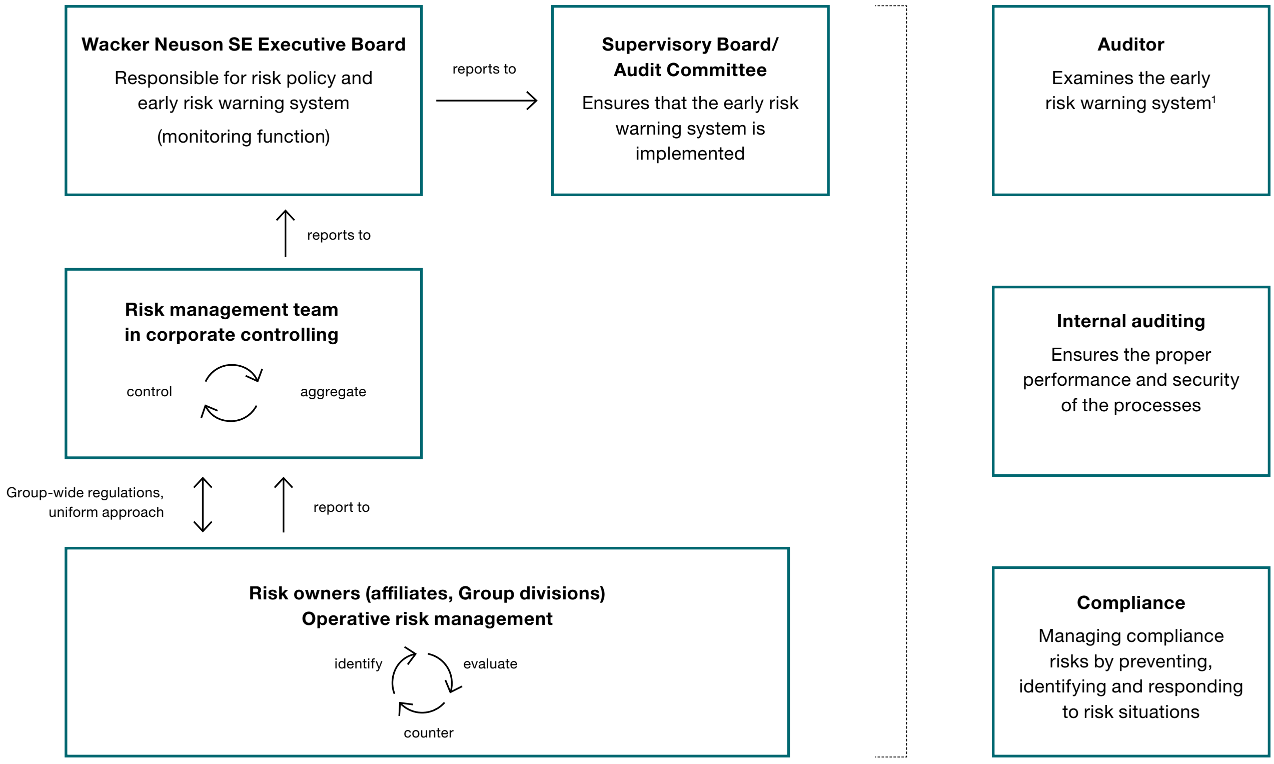
Risk report

As Wacker Neuson SE is fully affiliated with the companies of the Wacker Neuson Group through its direct and indirect shareholdings in Wacker Neuson Group members, the risk situation facing Wacker Neuson SE is mainly determined by the risk situation facing the Wacker Neuson Group. The statements evaluating the overall risk situation for the Group made by the Executive Board therefore also summarize the risk situation facing Wacker Neuson SE.

Presentation of the internal control and risk management system including information in accordance with Section 315 (4) and Section 289 (4) HGB plus an explanatory report from the Executive Board

Risk reporting activities include presentation of the company's risk management goals and methods in the Management Report. Furthermore, the key steps involved in the internal control system and the risk management system in relation to the (consolidated) accounting process must be described in detail pursuant to Section 315 (4) and Section 289 (4) HGB. Since the internal control system is an integral part of the overall risk management system, the Executive Board has decided to present both together. These disclosures are explained in more detail, including in relation to the financial accounting process.

CONTROL AND RISK MANAGEMENT



[1] In accordance with Section 317 (4) HGB: In a listed stock corporation, the audit should evaluate whether the Executive Board has met the obligations set down in Section 91 (2) AktG to a suitable degree, and whether the monitoring system to be set up on that basis is fit for purpose.

Risk management system

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. Risks are evaluated on a rolling, 12-month basis, which may also extend to additional years if the risk is deemed to apply beyond this period. The risk management system includes a planning process for each of the core business segments as well as a comprehensive Group reporting system covering all affiliates, which is regularly analyzed, discussed, evaluated and presented to all decision-makers. The risk management system also covers process definitions for all business segments, Group auditing and compliance.

The risk management handbook outlines the company's risk policy in terms of defining, assessing and quantifying potential risks, and the structure and workflow of the risk management system. It also assigns roles and responsibilities for identifying, analyzing, monitoring and communicating risks. This allows the company to take suitable measures to actively counteract known risks. Risk owners immediately report any risks that have been identified to the Corporate Controlling department. Following completeness, interdependency and plausibility checks, the risks identified are recorded in a risk database and made available to those responsible. Risks are aggregated by consolidating individual risks reported and mapping them to group risks. High-risk ratings are reported to Executive Board members, who acknowledge receipt of this information by signing the risk bulletin. The Executive Board regularly informs the Supervisory Board about known risks.

The risks are then assessed using both quantitative and qualitative methods that are uniform throughout the Group, allowing comparison across the various business segments.

The Group's risk capacity is measured as a function of the equity position on the consolidated plan balance sheet, verified on the basis of the quarterly forecasts and revised if necessary. The aggregated risks are benchmarked against the risk capacity at least every quarter and at year-end.

Please refer to the Notes to the Consolidated Financial Statements for further information on the risk management system (→ item 33).

Key features of the internal control system and the risk management system in relation to financial accounting plus related disclosures

The internal control system covers the basic principles, processes and measures required to ensure effective, efficient, due and proper performance of financial accounting processes in compliance with the relevant legal guidelines. This also includes the internal auditing system, to the extent that it relates to financial accounting. As part of the risk management system, the internal control system – similar to the auditing system – draws on appropriate control and monitoring processes for financial accounting. This refers in particular to items on the balance sheet recognizing the company's risk hedging positions.

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

- Responsibility for financial accounting is clearly defined at the level of Wacker Neuson SE and its affiliates: Responsibility has been vested with the Group accounting, controlling, auditing and treasury departments. Ultimate responsibility for financial accounting lies with the Executive Board. Within financial accounting, in general there is a clear differentiation between booking and auditing financial data.
- Employees involved in accounting are qualified to the highest standards.
- The Group has suitable systems and processes in place for planning, reporting, controlling and risk management, and implements these across the Group. Reports due on a quarterly or monthly basis, financial accounting reports included, enable management to respond quickly to unexpected negative developments.
- The Group-wide procedural guidelines set down in the accounting manual, the tax manual and the treasury manual are accessible at all times to all relevant Group employees. Other regulations such as the rating guide and specific instances subject to second sign-off also apply. These guidelines guarantee uniform handling of similar scenarios throughout the entire Group. They are updated as necessary and aligned with new circumstances and requirements.
- Proven standard software supports accounting functions, and all systems deployed are secured against unauthorized access by third parties.
- Effective controls (including second sign-off and analytical checks) are in place for accounting-related processes (payment runs, for example).
- Processes related to financial accounting are regularly checked by internal auditing.
- Various internal bodies, such as the auditing department or the Audit Committee of the Supervisory Board, regularly review and rate the effectiveness of the internal control and risk management systems in relation to financial accounting processes.
- The audit performed by the auditor includes the audit of the early risk warning system (functionality test). The purpose of the audit in accordance with Section 317 (4) HGB is to assess whether the Executive Board has implemented the measures for early risk detection according to Section 91 (2) AktG in a suitable form and whether the monitoring system can adequately control the implementation of these measures. Concrete implementation measures to overcome and manage risks are not relevant for the early risk warning system pursuant to Section 91 (2) AktG and thus not relevant for the audit performed by the company auditor pursuant to Section 317 (4) HGB.

The aim of the internal control and risk management system in relation to financial accounting is to ensure that all company dealings and circumstances are disclosed, calculated and categorized correctly on the balance sheet, and correctly represented in the accounting system. This enables the company to largely avoid accounting errors.

This efficient control process ensures that business transactions are captured, processed and documented in the accounting systems of the company and Group in compliance with commercial law and other statutory regulations, international accounting standards, the Articles of Incorporation and internal Group guidelines, and that these figures are rapidly and correctly recognized in the accounts. The established risk management strategy enables the company to identify risks at an early stage, respond appropriately and communicate them in a timely 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 stakeholders with reliable, meaningful and timely information.

Where possible and economically viable, insurance policies are in place to cover insurable risks.

Risks

This section outlines all key risks that have been identified for the Group and that could, from today's perspective, influence the assets, financials and profit, and/or reputation of Wacker Neuson SE.

Risk exposure (=value of anticipated damages) is calculated by multiplying possible damages by the probability of occurrence:

RISK EXPOSURE

	Value of anticipated damages
Low	Limited impact, < € 2 million EBIT risk
Medium	Medium impact, > € 2-5 million EBIT risk
High	Significant impact, > € 5-10 million EBIT risk
Very high	Damaging impact, > € 10 million EBIT risk

At December 31, 2021, the following individual risks with a high or very high value of anticipated damages were recognized at Group level:

GREATEST INDIVIDUAL RISKS AT DECEMBER 31, 2021

	Risk exposure	Change compared with previous year
Cyber risks	High	Increased
Material price risks	High	Increased
Risks to earnings from an inability to use tax loss carry-forwards	High	Increased
Foreign currency risks	High	Increased

According to the company's calculations, there are no individual risks with anticipated damages valued in excess of 10 percent of Group EBIT. The aggregated risks for the Wacker Neuson Group lie clearly below the defined risk capacity threshold.

Individual risks are assigned to the following categories together with their percentage share of overall risk:

DISTRIBUTION OF RISK ACCORDING TO RISK CATEGORY

AS A %

	Percentage share of total risk
Operational risks	65
Financial risks	20
IT-related risks	9
Personnel risks	3
Technology and development risks	2
Other risks (incl. strategic, legal and regulatory risks)	1

Operational risks – general economic risks, risks in sales and procurement markets

At 65 percent, operational risks account for the largest share of overall risk (2020: 72 percent). The value of anticipated damages in this category has increased significantly relative to the previous year. This is primarily attributable to the sharp rise in risks from increased cost of sales fueled by a rise in material prices and shipping costs, which in turn were caused by shortages in procurement markets and ongoing supply chain disruptions. In contrast, sales risks resulting from downturns in demand triggered by the coronavirus pandemic fell relative to the previous year.

General economic risks

The Group is dependent on the general economic climate and international construction industry trends. The affiliates Weidemann GmbH and Kramer-Werke GmbH are also dependent on developments in agriculture. The international nature of its business means the Group is exposed to a variety of political and economic risks. The current crisis in Russia/Ukraine could have a significant impact on macroeconomic developments, in particular placing additional strain on commodity markets – which are already stressed. In addition, there is a risk of a dwindling willingness to invest among Group customers.

Against the backdrop of a downward revision to general global economic growth prospects due to the reimposition of mobility restrictions as the Omicron variant spreads, persistent supply constraints, high inflation rates and geopolitical uncertainties, the construction equipment industry and agricultural technology sector – following strong growth in 2021 – still enjoy a positive outlook for 2022, partly fueled by a high order backlog according to industry business barometers. (Refer to → Opportunities and outlook, page 67 ff.)

Material price risks

Increases in the prices of raw materials, in particular for steel but also for other components, caused by a rise in demand as well as speculation on the commodities markets, currency effects, capacity bottlenecks (also in shipping) and international trade policy could push up the cost of materials. As a result, there is a risk that suppliers could demand higher prices. These price increases in the procurement market could lead to higher cost of sales. Already in 2020 and 2021, global supply chain instability in this area led to increased risks. The company is countering this risk by developing a more flexible and diverse global procurement strategy and by focusing on strict cost controls and systematic productivity gains. The Group maintains regular contact with business partners and suppliers to jointly develop robust solutions. The Group generally aims to offset rising procurement costs by passing price increases on to the market in a timely manner. However, these usually take effect with a time lag of six months. As procurement markets become more volatile, however, there is an increased risk that the Group will not be able to pass on all or some of these higher procurement expenses.

Other sales risks

The Wacker Neuson Group is active in cyclical and volatile markets. Falling demand, especially in the core markets of Europe and North America, could impact the Group's revenue and profitability. However, this risk is still deemed to be low given the current high order backlog for 2022– although this could be compromised by the current Russia/Ukraine crisis. In addition, demand is subject to seasonal fluctuations, which can have an impact on revenue trends during the year. The Group counters these risks through targeted diversification across various sectors and by maintaining an international footprint. In addition, its commitment to increasing its presence in established markets, expanding into targeted new markets and launching new products should offset economic fluctuations at country and industry level. The

Group regularly monitors key leading indicators in order to implement appropriate countermeasures in good time whenever fluctuations are identified. In addition, the Group uses flexible work and production models in its organization and also employs staff under leasing contracts to absorb any fluctuations in capacity utilization.

The Wacker Neuson Group faces tough international competition. The Group is countering the risk of losing market shares by building on qualified sales partners and strategic alliances to continue expanding its global distribution organization, and by aligning services and product innovations with customer needs. In particular, the Wacker Neuson Group is addressing the digitalization trend and responding to the resulting changes in customer and business relationships as it increasingly aligns its business processes with these needs.

Customer structures vary from one country to another. Within an individual country, the loss of a major customer due to insolvency or market consolidation could have a serious impact on demand for products and services from the affiliate concerned. The company counters this risk by diversifying its customer base, continually acquiring new customers, proactively maintaining strong customer relationships and developing new, competitive products.

There is a clear, ongoing trend towards mergers and acquisitions among the Group's customer base across many markets. This development can have a positive or negative impact on Wacker Neuson Group sales and revenue.

Other procurement risks

To manufacture its products, the Group is dependent on the availability, timely delivery and variable pricing of numerous raw materials and components – particularly steel and aluminum – and also of steel construction components and precast parts as well as engines, electrical/electronic components and hydraulic and chassis components. Since the end of 2020, the Group has faced growing capacity bottlenecks in container shipping, which can have a negative effect on the timely delivery of raw materials and components, as well as on the costs of shipping. In addition, the Group relies on raw materials and parts supplied by third parties being free of defects and meeting the relevant specifications and quality standards. Defects in pre-manufactured parts could result in quality issues for Wacker Neuson Group customers on the one hand, and production delays on the other, which may ultimately slow down product deliveries to customers. These scenarios could damage the company's brand and corporate image and potentially result in contractual penalties, claims for damages and losses in market share. The company is countering this risk by preemptively auditing key suppliers, rating the key indicators of quality, timescale and cost. These key suppliers are supported on site by qualified Wacker Neuson personnel at every step of the process flow, already before initial nomination through prototyping to series production. To ensure security of supply, the Group focuses on short lead times so that it can react to fluctuations in demand. To avoid bottlenecks in the supply chain, the Group maintains close and regular contact with its suppliers and concludes binding supplier agreements. If required, it also opens up new supply sources to meet short-term rises in demand and stabilize the supplier base. In order to further reduce the risk associated with suppliers, the company introduced a code of conduct for suppliers, which requires that suppliers comply with legal regulations and the principles set out in Wacker Neuson's corporate ethics policy. The aim is to prevent the risk of reputational damage as a result of supplier shortcomings.

Another fundamental risk in this category is the potential loss of a supplier, due to insolvency for instance, which could compromise the company's delivery capabilities and thus its sales targets. The Wacker Neuson Group is countering this risk by defining commodity strategies to ensure that the loss of a supplier will only affect individual product groups and not an entire production facility. It also endeavors to mitigate this risk further by developing close relationships with suppliers and concluding special standard agreements that secure its partners' delivery capabilities to a certain extent.

Financial risks – risks resulting from currency transactions / foreign currency risks, risks to earnings from tax loss carry-forwards that cannot be used, risks resulting from asset impairment, bad debt, buyback obligations and leasing transactions, as well as capital commitment risks

The proportion of financial risks of overall risks facing the Group increased from 13 percent in the prior year to 20 percent. The value of anticipated damages in this category has increased significantly relative to the previous year. This is primarily due to the rise in foreign currency risks and impairment risks associated with non-current assets. In contrast, the risks associated with amounts payable to the Wacker Neuson Group by customers and risks arising from buyback obligations and leasing transactions have decreased.

Foreign currency risks are also linked to the amount of foreign currency holdings and purchasing volumes made in foreign currencies. If exchange rates develop unfavorably for the company in relation to payables expressed in foreign currency, this will increase the value of liabilities expressed in euros. The Group is monitoring the corresponding currencies on an ongoing basis. The company makes use of targeted hedging instruments at Group level to counteract the risks of devaluation.

The financial risks to the Group also continue to stem from the ongoing risk of currency devaluation, which is a risk the Group has identified for certain emerging market currencies relative to the Group's production currencies, namely the euro and US dollar. This would diminish the value of revenue and profit from these countries when they are translated into the Group's consolidated financial statements, which are drawn up in euro. The Group is countering this risk by continually monitoring currencies and in some cases negotiating euro or US dollar prices on deals with customers based in countries outside of the eurozone or US dollar area.

A euro that has gained in value, in particular against the US dollar, negatively impacts exports of products manufactured in the eurozone.

Deferred tax assets have, for the most part, not been recognized for existing tax loss carry-forwards as IAS 12 does not treat these as assets based on the loss history. Tax loss carry-forwards that cannot be used can have a negative impact on the Group's future earnings position in that the current tax burden cannot be adequately reduced by offsetting tax loss carry-forwards. The Group is countering this risk by regularly checking the extent to which these carry-forwards can be offset against tax, taking the applicable tax regulations and criteria into account, and by defining and implementing appropriate measures.

The impairment of assets may have a negative impact on the Group's annual profit. The main risks in this context refer to potential one-off write-downs on intangible assets, in particular capitalized development projects. The company is countering the risk of asset impairment through its risk policy, which includes an efficient, globally standardized project management system for product development with targeted controls to ensure products are making a positive contribution to the Group's business.

With regard to receivables from customers, the Group is exposed to the risk of individual customers defaulting on payments. The Wacker Neuson Group counters the risk of default through efficient receivables management systems that include checks on customers' credit ratings and credit limits, extended retention of title as a legal instrument, the partial no-recourse sale of receivables to financing companies, financial guarantees from the owners of dealer organizations and higher balance sheet risk provisions.

As Wacker Neuson also distributes its products via affiliates and their own direct sales and service stations, inventory levels of finished machines across the Group are relatively high in comparison with some competitors. The Group is countering the resulting capital commitment risks using strict affiliate-specific inventory targets. These are monitored on an ongoing basis and rationalization measures implemented where necessary.

Please refer to the Notes to the Consolidated Financial Statements for further information on financial risks (→ items 25 and 33).

IT-related risks – risks associated with system failure, cyber-attacks and unauthorized entry to IT areas / access to IT systems

The risks in this risk category were reassessed in 2021 in response to the sharp rise in cybercrime.

The company uses IT systems in numerous areas. Failure of these systems could negatively impact production and the flow of goods, resulting in loss of revenue. The company is countering this risk through technical and organizational measures, the use of standardized software and by identifying and targeting weaknesses and vulnerabilities. Wacker Neuson Group is pursuing a professional project management policy to minimize risks that can occur during the roll-out of global IT systems and to prevent additional costs. The global threat situation in the area of cybercrime remains high. This is primarily due to an increase in the number of incidents and in particular the quality and effectiveness of criminal activity in spite of generally improved security mechanisms across the industry. These collaborative and distributed attacks reach beyond attempts at identity theft to equally target the confidentiality, integrity and availability of data, IT systems and networks of all kinds, and remain a risk to the safety of systems and data at the Wacker Neuson Group. In light of the pandemic and the increased digitalization of products and processes, the company now faces greater challenges in the field of information security, for example through the increasingly decentralized use of IT-enabled resources.

Personnel risks – risks associated with the loss of key employees, changes to employment contracts and malicious activities on the part of employees of the Wacker Neuson Group

The share of personnel risks in the overall risk mix fell to 3 percent in 2021 (2020: 7 percent). The value of anticipated damages in this category is also lower than the previous year. These trends were driven by a reassessment of Group-wide risks related to the misappropriation of funds.

The success of the Wacker Neuson Group is due in large part to the skill and motivation of its employees. The loss of highly qualified people in key positions could impact negatively on the projected growth path. The Wacker Neuson Group is countering this risk by offering employees incentives to commit themselves to the company, for example through attractive remuneration schemes and long-term personal development opportunities.

There is a risk that changes to employment contracts could have a negative impact on the Group's profitability. With unemployment currently at a low level and inflation rising, labor relation negotiations could result in above-average cost increases for the Wacker Neuson Group.

In order to pursue its ambitious expansion strategy, the Group needs to hire qualified staff, in particular mechanical and electrical engineers. However, as the labor market stands, it may not be possible for the Group to meet or fully meet its need for staff in these areas. The company is mitigating this risk with dedicated recruitment efforts, both in Germany and abroad. It also offers attractive remuneration schemes and interesting work opportunities promising a high degree of individual responsibility.

There is a risk that corrupt or fraudulent activities by employees of the Wacker Neuson Group could inflict financial damage on the Group or harm its image. The Wacker Neuson Group has set out transparent compliance rules in its code of conduct for employees and has made a reporting system available to employees and business partners to prevent unethical behavior or uncover any such behavior in good time.

Technology and development risks – risks arising from disruptive business models and technologies, risks from the development of new products and processes, and from product development projects

This risk category's share of overall risk decreased to 2 percent in 2021 (2020: 4 percent). The value of anticipated damages in this category is also lower than the previous year. This is primarily attributable to the lower risk assessment regarding potential delays in product development.

The Wacker Neuson Group's research and development activities and its ability to bring new products to market in good time are vital to its success. Compliance with ever stricter national and international laws and directives and factoring these into product development is essential. New regulations regarding noise emissions, environmental and user protection, for example, could result in higher costs for the Wacker Neuson Group. If these new regulations are not implemented on an ongoing basis, the company's competitive position and growth opportunities may be temporarily impaired. The Wacker Neuson Group's R&D departments therefore continuously work to develop new products while also evolving and enhancing the existing portfolio, always aligning its activities with market demands and in compliance with applicable regulations, laws and directives.

Disruptive business models and technologies developed by competitors or new market players could significantly impair the Wacker Neuson Group's ability to implement its strategy if the Group is unable to harness these new developments for its own benefit and develop them further. As such, the Group closely follows the development and application of new technologies in the industry and uses these for its own products where appropriate. Internal development work also focuses on proprietary, market-ready new technologies, in particular in the field of electromobility, with the ability to carve out competitive gains.

Legal and regulatory risks – risks related to non-compliance with regulations/guidelines/laws, product liability, tax proceedings/arrears, trade restrictions, loss of intellectual property and other pending legal proceedings

The risks in this category accounted for 1 percent of overall risk in 2021 (2020: 2 percent). The value of anticipated damages has also decreased. These trends were primarily driven by the conclusion of customs proceedings and a decrease in risks relating to trade restrictions.

Trade restrictions on imports of Group products in some countries or restrictions preventing the Group from bringing its products to market could have a negative impact on its revenue and profitability. The Group tries to influence developments here by participating in committees and engaging in lobbying activities. The Group is also committed to exploring and pursuing legal avenues where necessary to prevent the possibility of trade restrictions. The Group is closely monitoring political developments around the regulation of combustion engines and their use in urban areas and – if necessary – quickly incorporating any policy changes into R&D planning. In the event of bans being imposed on the use of individual diesel-powered compact and light equipment machines in cities, the Group can already offer its customers alternative solutions from its zero emission portfolio, which it is systematically expanding. → Broad offering of battery-electric light and compact equipment, page 50 ff.

Warranty and product liability claims can result in claims for damages and injunctions. The Group minimizes these risks by taking the utmost care when developing and manufacturing its products, as well as by taking out appropriate insurance policies.

Due to the Wacker Neuson Group's global business activities and the resulting tax obligations in various countries, there is a risk of an unfavorable Group tax rate arising, depending on how income develops in the different regions. There is also a risk of changes to tax laws and related conditions in individual countries. In the case of an audit, the Group assesses the risk, taking all circumstances into account, and makes provisions to the extent that audit findings are binding and a reliable assessment is possible, or in the case of possible liabilities that are likely, reports them under contingent liabilities. The Group has drawn up a tax compliance guideline to minimize tax risks.

Some market-leading products are being copied by other manufacturers and this could reduce sales. If the company were no longer able to protect its intellectual property sufficiently, this would impair its competitive ability. The Group is reducing this risk through focused patent and intellectual property management and by enforcing its intellectual property rights. The Wacker Neuson Group averts the risk of disputes with third parties over intellectual property rights through appropriate prior investigations and research.

New regulatory measures and changing customs regulations could have a negative impact on sales of Group products and also on the cost of sales. In turn, this could increase legal risks to the Group. The Group is countering this risk by implementing measures in good time to ensure compliance with regulatory requirements and safeguard sales of its products.

No legal proceedings are currently underway or pending that might have a significant impact on the Wacker Neuson Group's financial situation. To the extent possible, the Wacker Neuson Group has concluded insurance policies worldwide to protect against material liability risks arising from potential damages for which the company could be held accountable.

Strategic risks – risks associated with missing or inadequate strategies and negative developments in the competitive landscape

Strategic risks account for less than 1 percent of overall risk to the Group. This is a decrease compared with the previous year (2020: 2 percent). The value of anticipated damages has also fallen relative to the previous year. One reason for this development is attributable to the lower risk assessment regarding existing alliances with dealers.

The Group continues to expand its business segments as well as its sales and service network in line with its growth strategy. In this context, there is a risk that the strategies and business models applied will fail to yield the desired results and will have to be adapted. As part of its risk policy, the Group regularly implements strategic planning processes using the latest planning methods. Action plans and fallback positions are developed and business models are regularly checked.

Unfavorable developments in the competitive and customer landscape in the form of mergers, for example, could negatively impact the Group's ability to achieve its strategic goals. Being dependent on major customers could also pose a risk to strategic goals if one of these business relationships were to be terminated. The Group is limiting its risk exposure here by closely monitoring developments in its markets and customer base and also developing appropriate action plans.

The Wacker Neuson Group also considers and carefully assesses alliances and acquisitions as a means of gaining market shares and expanding its product portfolio. However, there is still a basic risk that the alliance or acquisition will fail to produce the expected outcome and that integration of the new company into existing business operations will cause problems. Failure to evaluate risks accurately when acquiring another company or entering into a partnership may have a negative impact on the business development and growth prospects of the Wacker Neuson Group. The company counters such risks through professional project management and by setting up integration teams.

Summary of risk situation facing the Group – assessment of risk situation by the Executive Board

Viewed as a percentage of overall risks, the main risks lie in the operational risk, financial risk and IT-related risk categories. Together, these three categories represent around 94 percent of total risk exposure (2020: 85 percent).

The overall risk has increased significantly relative to the previous year. The main reason for this change stems from the rise in operational risks. This is primarily related to the higher assessment of material price risks. The main risks are listed in this risk report.

The company is not currently aware of any other significant risks to its operations. Furthermore, the Wacker Neuson Group has not at present identified any risks to its continued existence as a going concern. The aggregated risks for the Wacker Neuson Group lie clearly below the defined risk capacity threshold.

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

Main non-financial risks
EU Directive 2014/95/EU on the disclosure of non-financial information requires companies to also report on basic non-financial risks arising from their business activities with an impact on environmental, social and employee matters, respect for human rights, anti-corruption

and bribery. The Group reports on these basic non-financial risks in its non-financial Group report, which is published separately.

Opportunity management system

Opportunities relate to internal and external developments that could have a positive impact on the Group. The direct responsibility for identifying and managing opportunities in a timely manner is vested in committees rather than specific individuals. These committees make decisions on matters like strategic projects enabling the company to respond to changing market and customer requirements. These committees include experts and high-ranking decision-makers from across the Group. The Wacker Neuson Group's decision-making process focuses on opportunities while at the same time taking the associated risks into account. Opportunities should be identified and aligned at an early stage to improve the chances of successful capitalization on those opportunities. Selected potential opportunities for the Wacker Neuson Group are outlined in → Opportunities for future development, page 70 ff.

Information in accordance with Section 315a HGB and Section 289a HGB plus an explanatory report from the Executive Board in accordance with Section 176 (1) Sentence 1 AktG

According to Section 315a HGB, the Group Management Report issued by listed companies must include information on the composition of capital, shareholders' rights and restrictions, participating interests and corporate bodies that may be relevant for takeovers. The same information must also be disclosed in the Management Report of Wacker Neuson SE, pursuant to Section 289a HGB. Furthermore, according to Section 176 (1) Sentence 1 AktG, the Executive Board must submit a report explaining this information to the AGM. The following contains a summary of the information pursuant to Section 315a and Section 289a HGB as well as the corresponding explanatory comments pursuant to Section 176 (1) Sentence 1 AktG.

Composition of subscribed capital

At December 31, 2021, Wacker Neuson SE's share capital amounted to EUR 70,140,000.00, divided into 70,140,000 individual no-par-value nominal shares, each representing a proportionate amount of the share capital of EUR 1.00 according to Section 3 (2) of the company's Articles of Incorporation. As at December 31, 2021, the company holds 2,124,655 treasury shares, from which the company derives no rights pursuant to Section 71b AktG. Excluding the company's treasury shares, which do not carry voting and dividend rights, the 70,140,000 no-par-value shares therefore correspond to a total of 68,015,345 votes as at December 31, 2021. There is only one type of share; all shares – with the exception of the above-mentioned non-voting treasury shares of the company – are generally vested with the same rights and obligations as outlined in detail in particular under Sections 12, 53a, 133 ff. and 186 AktG. The provisions of the AktG apply to Wacker Neuson SE in accordance with Section 9 (1) c) ii) and Article 10 of Council Regulation (EC) No 2157/2001 of October 8, 2001 on the Statute for a European Company (SE) (referred to as "SE Regulation" in the following), unless otherwise specified in the SE Regulation.

Restrictions affecting voting rights or the transfer of shares

The following details are based on information supplied to the Executive Board by the parties to the pool agreement, the parties to the partnership agreement of Wacker Familiengesellschaft mbH & Co. KG and the parties to the pool agreement between Mr. Martin Lehner and Neunteufel shareholders.

Information on the pool agreement

A voting pool has been created on the basis of a pool agreement that brings some of the shareholders and companies attributable to the Wacker family (Wacker shareholders) together with Mr Johann Neunteufel and companies attributable to him (Neunteufel shareholders) valid through the end of April 2022. Approximately 58 percent of the company's share capital is tied to this pool through the end of April 2022.

From May 2022 onwards, only some of the Wacker shareholders, including Wacker Familiengesellschaft mbH & Co. KG and Wacker-Werke GmbH & Co. KG – who hold around 25 percent of the company's share capital – will remain in this voting pool.

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 of 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. Up until the end of April 2022, when members are appointed to the Supervisory Board, two members will be appointed by the Neunteufel shareholders in the pool, and two by the Wacker shareholders in the pool. From May 2022 onwards, two Wacker shareholders shall continue to have the respective right to propose one supervisory board member as shareholder representative each, and the remaining pool members have to exercise their respective voting rights in the AGM for these candidates.

Shares can be transferred without restriction to spouses, registered partners, pool members' children, minor children adopted 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 with or without consideration, the other pool members have the right to acquire these shares. If the shares are to be sold to third parties in an off-exchange capacity, 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 total 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 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 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 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 shareholders each have the right to propose a Supervisory Board member from among the owners. This member is then to be elected by the remainder.

Only the acquisition and preferential purchase rights in the pool agreement apply to Wacker shareholders who are party to the pool agreement. In the case of a sale by a Wacker shareholder who is not a pool member, but is a shareholder in Wacker Familiengesellschaft mbH & Co. KG, 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 above-mentioned pool agreement. If a Wacker shareholder exits the Wacker Familiengesellschaft mbH & Co. KG company as a result of a termination, the remaining shareholders of Wacker Familiengesellschaft mbH & Co. KG 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 Wacker shareholder exiting Wacker Familiengesellschaft mbH & Co. KG does not receive compensation in cash but rather in the form of the shares in Wacker Neuson SE to which they are economically entitled. Every Wacker shareholder exiting Wacker Familiengesellschaft mbH & Co. KG can request compensation in the form of the shares to which they are economically entitled.

Pool agreement between Mr. Martin Lehner and Neunteufel shareholders

Martin Lehner and one of the Neunteufel shareholders have a pool agreement. Under the terms of this agreement, the Neunteufel shareholder exercises voting rights in the company associated with all shares acquired by Martin Lehner as part of the merger between the company and Neuson Kramer Baumaschinen AG (now Wacker Neuson Beteiligungs GmbH). The Neunteufel shareholder is not bound by any instructions and will always exercise these voting rights at their discretion in the same way as for the shares that they themselves hold. The Neunteufel shareholder has a preferential purchase right to these shares in the event of a transfer to parties other than the Neunteufel shareholder.

The Executive Board is not otherwise aware of any restrictions affecting voting rights or the transfer of company shares.

Direct or indirect participating interests in equity that exceed ten percent of voting rights

Under the German Securities Trading Act (WpHG), every shareholder of a listed company is obliged to inform the German Financial Services Supervisory Authority and the company in question, in this case Wacker Neuson SE, of the percentage of their voting rights as soon as these holdings reach, exceed or fall below certain thresholds. These thresholds are 3, 5, 10, 15, 20, 25, 30, 50 or 75 percent.

The Executive Board has been informed of the following direct or indirect participating interests in the share capital that exceed 10 percent of voting rights:

The voting rights held until the end of April 2022 by the below-mentioned shareholders correspond in total to around 58 percent of the share capital. The shareholders are bound to exercise these voting rights under the terms of a reciprocal pool agreement (→ "Restrictions affecting voting rights or the transfer of shares", page 62).

The information below is based on notifications pursuant to Section 33 ff. WpHG that Wacker Neuson SE has received and published between 2007, which was the year the company went public, and the reporting date of December 31, 2021. The disclosures are explained in detail in the Notes to the Annual Financial Statements of Wacker Neuson SE under the section "Notifications and disclosures of changes to voting interests pursuant to Section 33 ff. WpHG". The Executive Board is not aware of any other direct or indirect participations in the company's share capital that exceed 10 percent of voting rights.

DIRECT/INDIRECT PARTICIPATING INTERESTS THAT EXCEED 10 PERCENT OF VOTING RIGHTS

NAME/COMPANY	
Wacker Familiengesellschaft mbH & Co. KG, Munich, Germany	Indirect
Baufortschritt-Ingenieurgesellschaft mbH, Munich, Germany	Indirect
Wacker-Werke GmbH & Co. KG, Reichertshofen, Germany	Direct and indirect
Interwac Holding AG, Volketswil, Switzerland	Indirect
VGC Invest GmbH, Munich, Germany	Indirect
Dr. Ulrich Wacker, Germany	Indirect
Vicky Schlagböhmer, Germany	Indirect
Christiane Wacker, Germany	Indirect
Georg Wacker, Germany	Indirect
Andreas Wacker, Germany	Indirect
Bärbel Wacker, Germany	Indirect
Ralph Wacker, Germany	Indirect
Susanne Wacker-Waldmann, Germany	Indirect
Barbara von Schoeler, Germany	Indirect
Benedikt von Schoeler, Germany	Indirect
Jennifer von Schoeler, Germany	Indirect
Leonard von Schoeler, Germany	Indirect
Dr. Andrea Steinle, Germany	Indirect
NEUSON Forest GmbH, Linz, Austria	Direct and indirect
NEUSON Industries GmbH, Linz, Austria	Indirect
PIN Privatstiftung, Linz, Austria	Indirect
Johann Neunteufel, Austria	Indirect
Martin Lehner, Austria	Indirect

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 in the capital and do not directly exercise their controlling rights

The company's employees can exercise the controlling rights attributable 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 AktG. The Executive Board of Wacker Neuson SE must have at least two Board members according to Section 6 (1) of the Articles of Incorporation of Wacker Neuson SE. The Supervisory Board otherwise determines the number of Executive Board members (Section 6 (2) Sentence 1 of the Articles of Incorporation). The Supervisory Board is also responsible for appointing and dismissing Executive Board members; a simple majority of votes cast suffices for these decisions.

Wacker Neuson SE Executive Board members shall be appointed for a maximum term of six years (Article 9 (1), Article 39 (2) and Article 46 of the SE Regulation, Sections 84 and 85 AktG, Section 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 (Section 6 (2) Sentence 2 of the Articles of Incorporation). Currently, a Chairman of the Executive Board has been appointed.

Sections 179 ff. AktG must be observed in the event of changes to the Articles of Incorporation. Changes to the Articles of Incorporation must be approved by the shareholders at the AGM (Sections 119 (1) No. 6 and 179 (1) 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 no less than two thirds of the votes cast, unless the legislation for listed companies of the state where the SE is based mandates or allows a larger majority to apply (Article 59 (1) of the SE Regulation). 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 SE Regulation). The German legislator 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, relocation of the company's registered office or 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 an SE in Germany). Accordingly, Section 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 AktG, Section 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 a resolution passed at the AGM on May 30, 2017, the Executive Board is authorized, subject to the prior approval of the Supervisory Board, to acquire a total of 7,014,000 treasury shares by May 29, 2022.

This acquisition may also be performed by one of the Group members, or on or for its or their account by third parties. The authorization can be exercised in whole or in parts, in the latter case also on multiple occasions. 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 correspond to more than 10 percent of the existing share capital. Shares must not be purchased for the purpose of trading company shares on the stock exchange.

At the discretion of the Executive Board, treasury shares may be acquired on the stock exchange or by means of a public offering addressed to all company shareholders or by means of a public invitation to shareholders to submit offers for sale (the latter two options jointly referred to as "public purchase offering" in the following).

If treasury shares are acquired via the stock exchange, the purchase price per share paid by the company (excluding incidental acquisition costs) may not be more than 10 percent above or 20 percent below the volume-weighted average closing price of a company share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange over the last three trading days prior to the date on which the purchase obligation is entered into.

In the event of acquisition by way of public purchase offering, the company may determine a fixed purchase price or a purchase price range per share (excluding incidental acquisition costs) within which it is prepared to acquire shares. In the event of a public offering by the company, the purchase price or price range offered may not be more than 10 percent above or 20 percent below the volume-weighted average closing price of a company share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange over the last three trading days prior to the date on which the offer is publicly announced.

In the event of an invitation to shareholders to submit offers for sale, the purchase price per company share (excluding incidental acquisition costs) calculated based on the offers submitted may not be more than 10 percent above or 20 percent below the volume-weighted average closing price of a company share in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange over the last three trading days prior to the date on which the invitation to submit offers for sale is published.

In principle, following authorization, the treasury shares acquired by the company may be re-sold in whole or in part, in the latter case also on multiple occasions, by means of a public offering addressed to all shareholders or on the stock exchange. They may also be redeemed – with or without a reduction in share capital.

In addition, the treasury shares acquired by the company may be used in whole or in part, in the latter case also on multiple occasions, for other purposes; this may mean excluding shareholder subscription rights in whole or in part, or that shareholder subscription rights are – by definition – excluded:

In the case of a public offering of treasury shares made to all shareholders, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholder subscription rights for fractional amounts. The Executive Board is authorized to issue treasury shares to persons who are or were employed by the company or an affiliated company and to members of executive bodies of companies affiliated with the company. This constitutes an authorization to issue employee shares. To the extent that shares are to be sold to Executive Board members within the scope of an Executive Board participation model, the terms are decided on by the Supervisory Board on the basis of a separate authorization granted to it within the framework of its mandate to determine the total remuneration for Executive Board members.

The Executive Board is also authorized, with the approval of the Supervisory Board, to offer and transfer treasury shares as consideration in connection with mergers or acquisitions of companies, operations, parts of companies or participating interests.

It is also envisaged that treasury shares may be used to issue a scrip dividend. In the case of a scrip dividend using treasury shares, an offer is made to all shareholders to waive their entitlement to dividend payment resulting from the resolution on appropriation of net profit passed by the Annual General Meeting, in order to subscribe for treasury shares instead.

The Executive Board is also authorized, with the approval of the Supervisory Board, to sell the treasury shares yet to be acquired to third parties – also in return for cash contributions – subject to the exclusion of shareholder subscription rights, provided that the sale price per share is not significantly lower than the stock exchange price of shares in the company at the time of sale. The final sale price for treasury shares will be determined shortly before the sale. The Executive Board will keep any reduction on the stock exchange price as narrow as the market conditions prevailing at the time of placement permit. Under no circumstances will the discount relative to the stock exchange price at the time the authorization is exercised exceed 5 percent of the current stock exchange price. This authorization also applies with the proviso that shares issued subject to the exclusion of subscription rights may not exceed a total of 10 percent of share capital, neither at the time the resolution is passed nor at the time the authorization is exercised. This limit shall include shares issued or sold during the term of the resale authorization in direct or corresponding application of Section 186 (3) Sentence 4 AktG. This also includes shares issued to service convertible bonds, bonds with warrants, or profit-sharing certificates with conversion or option rights, to the extent that these bonds were issued, subject to the exclusion of subscription rights, during the term of this authorization by that point in time.

The Executive Board exercised the above-described option to acquire treasury shares in fiscal 2021. The company accordingly acquired a total of 2,124,655 treasury shares up to December 31, 2021. This corresponds to 3.0292 percent of the company's share capital. The average purchase price per share paid on the stock exchange was EUR 24.95. The company thus bought back treasury shares to the total value of EUR 52,999,971.94 (excluding incidental acquisition costs). The share buyback program ended on November 19, 2021.

Authorized Capital 2017
According to Section 3 (3) of the Articles of Incorporation, the Executive Board is authorized to increase the company's share capital by May 29, 2022, with the approval of the Supervisory Board, by issuing new, registered shares against cash contributions and/or contributions in kind, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 17,535,000 (Authorized Capital 2017).

However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholder subscription rights:

- in the case of fractional amounts resulting from the subscription ratio;
- in the case of capital increases resulting from the granting of shares in exchange for contributions in kind, in particular for the purpose of acquiring companies, parts of companies or participating interests in companies or other assets, or entitlements to acquire assets including amounts payable by the company or Group members;
- in the case of capital increases resulting from the granting of shares in exchange for cash contributions, provided that the issue price of the new shares is not significantly below the stock market price of the Company's shares listed at the time when the issue price is finally determined in accordance with Section 203 (1) and (2) in conjunction with Section 186 (3) Sentence 4 AktG and that the number of shares issued subject to the exclusion of subscription rights does not exceed ten percent in total of the share capital neither on the date on which this authorization takes effect nor on the date this authorization is exercised. This limit of ten percent shall include shares which are sold, issued or due to be issued subject to the exclusion of subscription rights during the term of this authorization up until the point in time when it is exercised by virtue of other authorizations in direct or corresponding application of Section 186 (3) Sentence 4 AktG.

In all other respects, the Executive Board shall, with the approval of the Supervisory Board, decide on the nature of the respective share rights and other conditions relating to issuance of shares, including the issue amount.

The authorized capital provisions described above reflect the practices typical of listed businesses similar to Wacker Neuson. 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 promissory notes (Schuldschein) with terms between three and seven years placed by Wacker Neuson SE in February 2017 (repaid in February 2022), May 2019 and August 2020, with EUR 200 million still outstanding as at March 2022, give the respective creditors termination options if third parties acquire at least 50 percent of voting rights in the company. Similar conditions are also attached to the promissory notes (Schuldschein) with terms between five and seven years, with USD 60 million outstanding as at March 2022, placed by Wacker Neuson America Corporation, USA, a wholly owned subsidiary of the company, in February 2018.

Kramer-Werke GmbH, a Group member, and the John Deere Group have entered into a strategic alliance for the international sale of wheel loaders and telescopic handlers for the agricultural market. The agreement contains a provision that allows John Deere to terminate the agreement under certain conditions should a competitor to John Deere acquire a direct or indirect share in Kramer-Werke GmbH or Wacker Neuson SE in excess of 25 percent or should a competitor gain the right to determine the majority of the membership of Kramer-Werke GmbH's or Wacker Neuson SE's executive bodies. The list of competitors is specified in detail in the agreement. As part of this alliance, John Deere has also acquired a financial stake in Kramer-Werke GmbH. Should a direct competitor of John Deere from the agricultural or construction equipment industries gain more than 25 percent of shares in Wacker Neuson SE, the Wacker Neuson Group must negotiate with John Deere regarding the sale of its shares in Kramer-Werke GmbH to John Deere, to the extent permitted by law.

Compensation agreements between the company and the members of the Executive Board or its employees in the event of a takeover bid

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 (Übernahmerichtlinie-Umsetzungsgesetz). The Executive Board therefore does not see the need to add further details to the information provided above.

Declaration on corporate governance according to Section 289f HGB in combination with Section 315d HGB

On March 24, 2022, the Executive Board of Wacker Neuson SE issued a corporate governance declaration pursuant to Section 289f HGB in combination with Section 315d HGB. This can be downloaded from the Wacker Neuson SE website at: → www.wackerneuson-group.com/en/investor-relations/corporate-governance/declaration-about-corporate-governance

Non-financial Group report for 2021

Under the German CSR Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz), Wacker Neuson SE is required to report every year on environmental, social and employee matters, human rights, anti-corruption and bribery. To this end, the Wacker Neuson Group has issued a separate non-financial Group report in accordance with Section 315b HGB for fiscal 2021. This report was published at the same time as the Annual Report. The 2021 non-financial Group report is also available on the Wacker Neuson SE website at:
→ www.wackerneusongroup.com/investor-relations

Remuneration report

The law governing implementation of the second shareholders' rights directive (ARUG II) stipulates that the Executive Board and Supervisory Board of listed companies shall create a remuneration report annually in accordance with Section 162 AktG and present this report to the AGM with a request that it be approved by way of resolution. The remuneration report for fiscal 2021, which is no longer part of the Combined Management Report as of this year as per the new legal regulations, is available on the company's website under Investor Relations / Corporate Governance.

Supplementary report

Refer to the Notes to the Consolidated Financial Statements for information on events since the reporting date, December 31, 2021. → item 30

Opportunities and outlook

Overall economic outlook

- Continued supply bottlenecks, high inflation rates and geopolitical uncertainties stifle growth
- High risks limit future growth prospects

According to the International Monetary Fund (IMF), the global economy enters 2022 in a relatively weak position. As the new Omicron COVID-19 variant spreads, countries have reimposed mobility restrictions. At the same time, rising energy prices and continued supply disruptions have resulted in high inflation rates, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China's real-estate sector and sluggish recovery of private consumption also have limited global growth prospects.

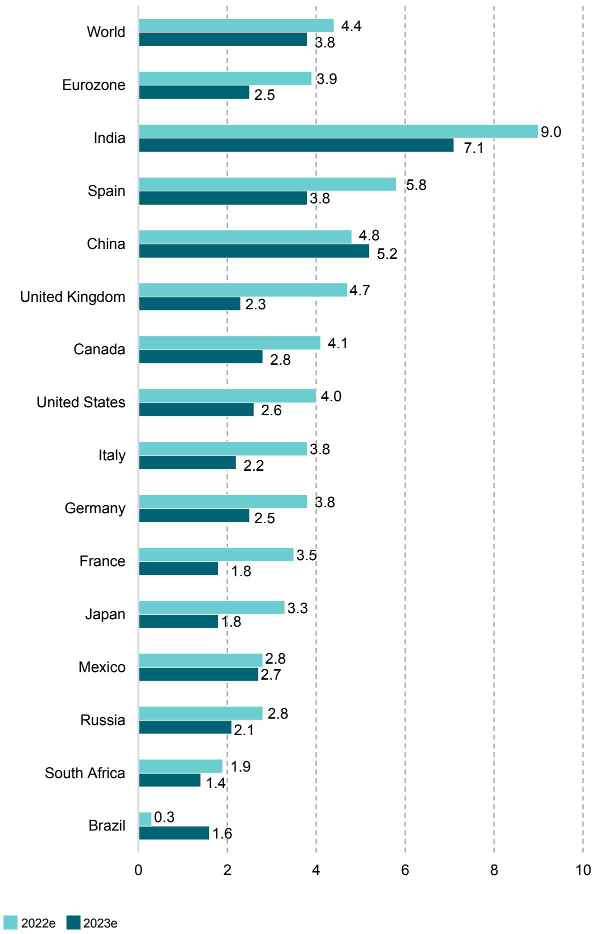
IMF experts therefore expect global growth to moderate from 5.9 percent in 2021 to 4.4 percent in 2022. This forecast is conditional on adverse health outcomes declining to low levels in most countries by the end of 2022, assuming vaccination rates improve worldwide and therapies become more effective.

For advanced economies, the IMF projects growth of just 3.9 percent for 2022. In the euro area, prolonged supply constraints and labor shortages resulting from the COVID-19 pandemic in particular are seen as drags on growth. Germany – an economy particularly exposed to supply chain shocks according to the IMF, is expected to record slightly below average growth of 3.8 percent. For the United States, IMF experts downgraded their growth forecast issued in October 2021 by 1.2 percentage points to 4.0 percent in January 2022. The reasons for this downgrade were given as withdrawal of monetary accommodation and continued supply chain disruptions.

In China, structural problems in the real estate market have served as a prelude to a broader slowdown. With a strict zero-COVID strategy leading to recurrent mobility restrictions, deteriorating prospects for construction sector employment and declining real-estate investment, private consumption is likely to be lower than anticipated according to the IMF. The weak economic outlook for China is also likely to have a negative impact on the growth prospects of its trading partners.

On the whole, the IMF is of the view that risks to the global baseline are tilted to the downside. The emergence of new COVID-19 variants could induce renewed economic disruptions. Moreover, supply chain disruptions, energy price volatility and resulting inflationary pressures are also set to continue into 2022. Higher key interest rates could pose risks to the financial stability and currencies of some emerging market and developing economies – especially with debt levels having increased significantly in the past two years. Other global risks may crystallize as geopolitical tensions remain high. Last but not least, the IMF cites climate change as increasing the likelihood of major natural disasters, with the result that investment in climate policies remains imperative.[1]

GLOBAL GDP GROWTH 2022E AND 2023E
AS A %



Source: International Monetary Fund, January 2022

[1] Source: IMF, January 2022, World Economic Outlook Update

Outlook for construction and agricultural industries

- Good prospects for a strong 2022 thanks to large order backlog in the construction equipment sector
- US and European rental industry optimistic for 2022
- Mood in the European agricultural technology sector remains positive

Rapid recovery of the global construction industry
Following the sharp downturn in 2020, the construction industry rallied strongly in 2021. The slowdown in the commercial and industrial sector was counterbalanced by an increase in residential construction, which reached a record level in certain markets.

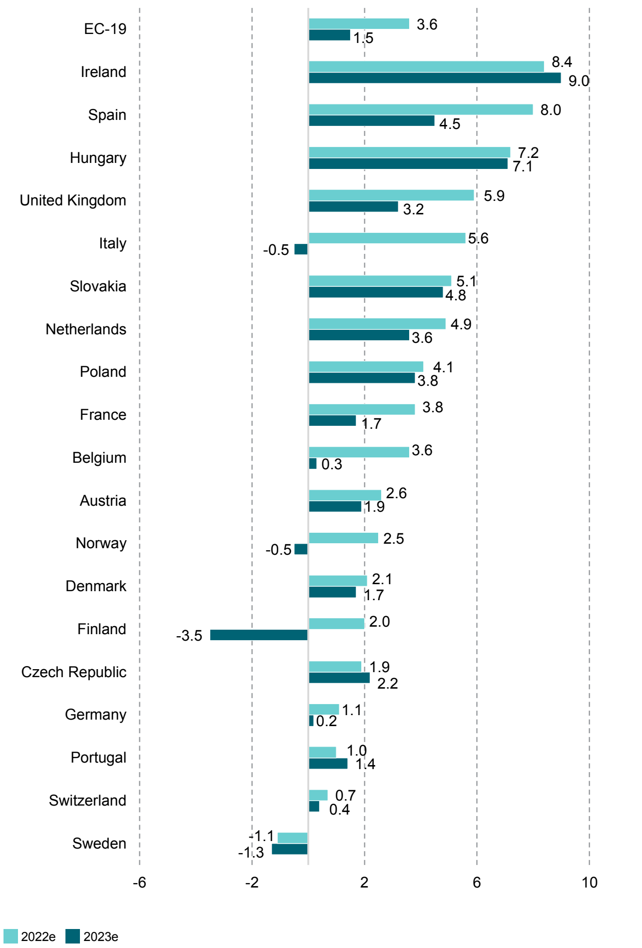
The research company Research and Markets projects an average annual growth rate of 7 percent for the global construction industry for the period from 2020 through 2025.[1] The short-term prospects for the European construction sector are also positive: According to Euroconstruct, production output in the industry is set to rise by 3.6 percent in 2022. Euroconstruct predicts high growth rates particularly in the UK and a number of Southern and Eastern European markets, which had already recorded strong growth in 2021.[2]

VDMA experts project a downturn of around 5 percent for the global construction equipment market on the back of 2021 growth despite massive supply chain constraints; this markdown will be driven in particular by a contracting Chinese market. For Europe, the healthy order backlog has prompted the VDMA to maintain a positive outlook for almost all customer segments, with a predicted growth rate of 5 percent. From the end of 2023, the high levels of additional debt accumulated by government bodies could have a negative impact on contract tendering activity. For Germany, the VDMA expects the level of sales to be on a par with 2021. A “golden age” could be on the cards for the North American market on the back of the federal government’s infrastructure investment program.[3]

The business barometer of the Committee for European Construction Equipment (CECE) swung upwards again in January 2022 on the foot of persistently high construction equipment sales in Europe. The slightly more optimistic outlook is presumably attributable to the high order backlog. The CECE rated the prospects for the North American market as especially positive.[4]

The American Rental Association (ARA) is optimistic about the coming years following better-than-expected growth in 2021. For 2022, the association predicts a sharp rise in revenue of almost 10 percent – with the forecast of USD 52.5 billion topping the record figure of almost USD 51 billion achieved by the rental industry in 2019. For 2023, the growth prediction is 3.9 percent, for 2024 it is 2.4 percent, and for 2025, growth of 3.5 percent is expected to deliver total revenue of USD 57.7 billion. The European Rental Association (ERA) is similarly optimistic for its market, forecasting growth of 5.6 percent for 2022.[5]

PROJECTED DEVELOPMENT OF THE EUROPEAN CONSTRUCTION SECTOR: 2022E AND 2023E



Source: Euroconstruct, November 2021.

Mood in the European agricultural technology sector remains positive
According to the agribusiness barometer[6] issued by the auditing firm EY, the agricultural technology sector is on a high and this momentum will likely be maintained. Following a slight downgrade in the second half of 2021, the business barometer published by CEMA rose again in January 2022.[7] For 2022, CEMA estimates further growth of 7 percent following a 13 percent rise in revenue in 2021. Regarding future order intake expectations, however, the association noted skepticism among industry representatives in January for the first time since the end of 2020. At the same time, there were initial signs of an easing in price increases and supply-side shortages, although companies still foresaw major challenges in this area. Respondents cited supply bottlenecks as possibly pushing the possibility to leverage the growth potential arising from significant drops in new inventory and streamlined used equipment stocks among dealers out to the second half of the year.

While the mood among European agricultural equipment manufacturers remained buoyant in January, German agricultural landholders became markedly more subdued in December 2021 according to the

[1] Source: Research and Markets, March 2021, Construction Global Market Report
[2] Source: Euroconstruct, European Construction Industry, November 2021
[3] Source: VDMA, Economic Situation, Construction Equipment and Building Material Machinery, January 2022
[4] Source: CECE Business Barometer, January 2022
[5] Press release, ARA forecast shows improved outlook for equipment rental revenue and investment, August 17, 2021 and press release, A difficult 2020 for European rental markets amid the pandemic, but a return to growth in 2021, November 24, 2021
[6] Source: EY, Agribusiness in Germany Barometer 2022
[7] Source: CEMA Business Barometer, January 2022

business barometer for the agricultural sector published by the German Farmers' Association. The reasons mentioned included the difficulty in planning for the future, the very low pig prices, and the sharp rise in input costs. Compared to the survey carried out in September, the agricultural landholders were even less optimistic about a positive economic turnaround. Their willingness to invest remained strong, however, in particular when it came to machines and equipment as well as yard and stable equipment. The amount expected to be invested in machines and equipment for the first half of 2022 was over 50 percent higher than the prior-year figure.[1]

Megatrends – such as the world's growing population and the resulting ongoing increase in demand for foodstuffs – should continue to have a positive effect on the agricultural technology sector in the medium and long term. In the future, greater productivity will need to be balanced with much lower resource consumption, while moving environmental and climate protection at the heart of all developments. At the same time, however, emerging market and developing economies still lag far behind the agricultural mechanization trend. The basic need for modern, compact machines – aimed in particular at increasing efficiency on agricultural holdings – should therefore continue to increase. Falling market prices, especially for agricultural commodities, could increase pressure on landholders to invest in high-performance machinery.

[1] Source: German Farmers' Association, business barometer for the agricultural sector, December 2021

Opportunities for future development

- Megatrends drive business performance
- Systematic execution of Strategy 2022
- Innovation lever to win market shares

Megatrends drive business performance

Global megatrends are fueling a steady rise in demand for light and compact equipment worldwide. The biggest growth drivers for the Group are:

- Population growth: By 2050, the world's population will have grown from nearly 8 billion today to nearly 10 billion. This will push up global demand for food and other basic necessities. In addition, investments will continue to be made in road, rail and telecommunication networks as well as in the modernization of buildings and the expansion of e-mobility infrastructure, fueling increased demand for compact and light equipment.
- Rising standards of living: In developing and emerging economies in particular, greater purchasing power and rising demand from new groups of consumers will lead to more construction activity. At the same time, wage growth will further drive mechanization in the construction and agricultural sectors.
- Urbanization: By the year 2050, around two thirds of the world's population will be living in cities. Megacities with populations of over 10 million will be facing the greatest challenges in terms of construction, housing and infrastructure. This will further drive demand worldwide for versatile, compact construction equipment.
- Climate change: Global warming and air pollution are increasingly being seen as global problems that need to be addressed ever more decisively at national and international level. The ambitious goals set out in the EU's Green Deal highlight the increasing importance of the renewable energy and electric mobility trends for the construction and agricultural equipment industries.

These trends present long-term growth opportunities for the Wacker Neuson Group. As a leading manufacturer of light and compact equipment, the Group is committed to developing innovative products and customer-centric services in order to expand its business at a global level.

Compact equipment has been well established in Europe for many years. The markets in North America and Asia, however, are relatively new by comparison. As such, they tend to offer higher growth rates. The Group aims to capitalize on this potential and win market shares with its innovative machines.

Already today, the Wacker Neuson Group is able to offer its customers a broad portfolio of electrically powered light and compact equipment. All three Group brands offer products with zero tailpipe emissions, which are resonating strongly among customers. Their current share of overall Group revenue is still comparatively low. In light of the ambitious goals set out in the EU's Green Deal, the construction sector will, however, also be subject to more stringent regulations over the coming years. Enabled in part by the further advancements in battery technologies currently anticipated, all-electric light and compact equipment is expected to experience a strong increase in market uptake. As such, the Group will continue to make targeted investments to expand its portfolio of all-electric machines.

The Wacker Neuson Group's strategic direction

Unveiled in March 2018, the aim of Strategy 2022 is to ensure that the Wacker Neuson Group is focused on its customers' needs. Building on the initiative's three strategic pillars of "focus", "acceleration" and "excellence", the Group aims to further expand its market positions while at the same time driving growth and increasing profitability. The Executive Board team was re-organized on June 1, 2021 with the appointments of Dr. Karl Tragl as Chairman of the Executive Board and CEO and Christoph Burkhard as CFO. The new Executive Board team shares the Strategy 2022 vision. A next-level Strategy 2025, intended to sharpen and realign Strategy 2022, will be presented in fiscal 2022. A sustainability strategy based on the United Nations Sustainable Development Goals (SDGs) will also be an integral component of Strategy 2025.

TRENDS DRIVING GROUP BUSINESS

Construction industry

- Modernization, maintenance and expansion of infrastructure in mature and emerging markets
- Increase in residential and non-residential construction in cities (urbanization)
- Reconstruction (renovation, modernization)
- Rising standards of living and demand from new consumer groups especially in emerging markets
- Expansion of broadband networks and e-charging points
- Increased use of electrically powered equipment
- Digitalization of products and services

Agriculture and other sectors

- Increasing global demand for food and fodder to meet population growth
- Shift towards larger holdings (especially in Europe) with greater demand for mechanization
- Increasing mechanization of agricultural holdings, also in emerging countries
- More efficient transportation of material in the industrial sector
- Increased use of electrically powered equipment
- Digitalization of products and services

Focus

For the Wacker Neuson Group, **focus** means optimizing its portfolio of competitive construction and agricultural equipment by concentrating on core products for mature markets. Compact equipment such as mini excavators is gaining market traction due to its flexibility and wide deployment spectrum. According to data from market research institute Off-Highway Research, the COVID-19 pandemic revealed that this class of equipment is more robust to crises than heavy equipment. Vehicle electrification also continues to become an increasingly important strategic focus. The objective is to win a bigger share of international markets.

Acceleration

Faster innovation cycles and rising customer expectations call for **acceleration**. Digital services are becoming increasingly important, machines are working (partially) autonomously or with assistance systems, and digital technologies are connecting construction sites. Wacker Neuson sees these trends as an opportunity to help shape the future and increase responsiveness to customer needs. Differentiation through products alone is becoming increasingly difficult. The Group therefore recognizes the need to use innovative business models to complement traditional products and make them fit for the future. The company is transitioning from an equipment manufacturer to a full-service and solution provider.

Excellence

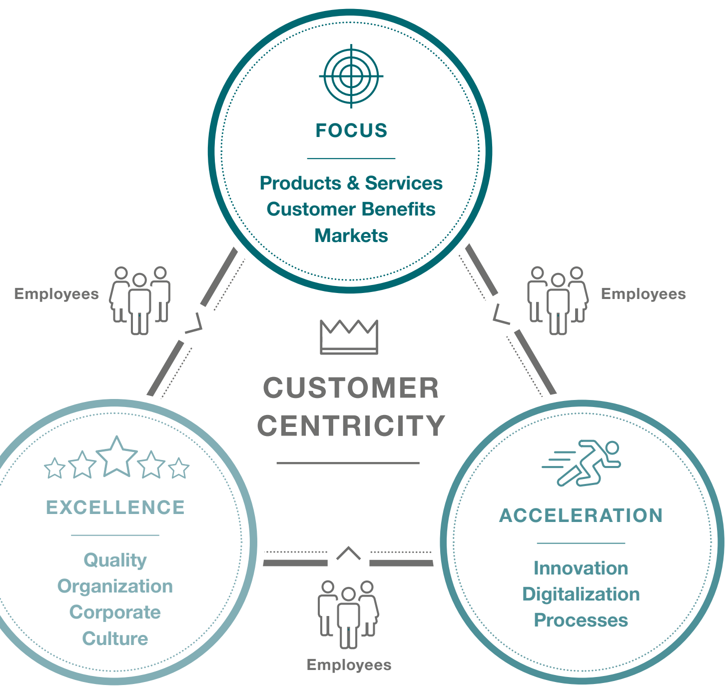
Striving for even greater operational **excellence**, the Wacker Neuson Group aims to continuously improve the high quality of its products, processes and workflows across all areas of the company as part of Strategy 2022. Looking beyond the streamlining of internal structures to accelerate and improve workflows, the Wacker Neuson Group has identified ongoing talent development, the promotion of commitment and agility, and teamwork as key success factors.

Target tracking

Within the framework of Strategy 2022, the Group aims to increase its revenue beyond EUR 2 billion and achieve an EBIT margin of over 11 percent. Following three years of double-digit growth in fiscal years 2017, 2018 and 2019, the Wacker Neuson Group experienced a sharp dip in its growth trajectory in 2020 and could not fully compensate for this in 2021. The Executive Board's guidance for fiscal 2022 sets revenue between EUR 1,900 and 2,100 million. The EBIT margin is expected to lie between 9.0 and 10.5 percent. Considerable uncertainty persists regarding the future course of the COVID-19 pandemic and the related impacts on the Group's global supply chains. In 2021, the Group already achieved its strategic goal of reducing the net working capital ratio to less than 30 percent of revenue. The Group expects that it will also lie within this target corridor at the end of 2022.

STRATEGY 2022

Top 3	2 times	> € 2 bn	> 11 %	≤ 30 %
with core products	market growth	Revenue	EBIT margin	NWC



Guidance

Expected development of revenue and profitability
Following strong growth in 2021, the IMF sees the global economy in a relatively weak position at the start of 2022.[1] The reasons for this assessment include the spread of the Omicron variant, the ongoing disruptions to global supply chains, high inflation rates and geopolitical uncertainties. The forecast is optimistic on the other hand for the European and North American construction equipment industries, with the outlook for the German construction equipment market stable relative to 2021.[2] Sentiment in the European agricultural sector remained positive at the start of 2022.[3]

In both the third and fourth quarters of 2021, the Group's order intake was significantly higher than in the previous year. The order book at the start of 2022 was well above the previous year's already high level.

Significant uncertainty still exists with respect to the future course of the COVID-19 pandemic and the related effects on the Wacker Neuson Group's global supply chains. Taking into consideration the staff shortages caused by the Omicron variant – both on the side of suppliers and within the Wacker Neuson Group's production and logistics networks – the Executive Board expects the supplier situation to remain very tight in the first half of 2022 with limited visibility into future developments. The resulting inefficiencies and significantly higher input and shipping costs compared with the previous year are unlikely to be fully compensated for. Therefore, despite rising revenue, the Group does not expect to achieve the operating profitability level of the prior-year period in the first half of 2022. The supply chain problems are expected to ease in the second half of the year.

The guidance for fiscal 2022 does not include the effects of the Russia/Ukraine crisis on macroeconomic developments or the global supply situation, as these cannot be accurately predicted at the present time.

The Executive Board remains positive regarding the underlying market conditions. Continued strong demand is expected for light and compact equipment for the construction industry and agricultural sector.

Taking into consideration the overall economic outlook and sectoral trends outlined above as well as the opportunities and risks arising for the Wacker Neuson Group, the Executive Board expects fiscal 2022 revenue to lie between EUR 1,900 and 2,100 million, which corresponds to growth of 2 to 13 percent relative to fiscal 2021 (2021: EUR 1,866.2 million). The EBIT margin is projected between 9.0 and 10.5 percent (2021: 10.3 percent). This includes the possibility of a one-off contribution to earnings in the very low double-digit million euro range from the sale of assets no longer required for future operations.

GUIDANCE

	2022e	2023e
Revenue	€ 1,900 to 2,100 m	Growth
EBIT margin	9.0% to 10.5%	Stable or slight growth
Net working capital as a % of revenue	≤ 30 percent	≤ 30 percent
Investments	Around € 100 m	Adapted to market developments

Segment trends
The Executive Board expects to see growth in 2022 not just in all three reporting regions but also across all three business segments, namely light equipment, compact equipment and services.

Planned development in investments and net working capital
The Group intends to continue investing in promising projects and develop its affiliates further. For fiscal 2022, the figure earmarked for investments in property, plant and equipment and in intangible assets is around EUR 100 million (2021: EUR 82.2 million).[4] In addition to investments to replace existing assets, this includes in particular expansion investments in the production network, which will help the Group lay the foundations for further growth.

In line with the strategic target, the Executive Board expects the net working capital ratio (net working capital expressed as a percentage of revenue) to be less than or equal to 30 percent (2021: 26.7 percent).

The Wacker Neuson Group's financials and assets together with the strong market positions of its brands provide an ideal basis for winning market shares and ensuring profitable growth over the coming years. The Executive Board plans to maintain an equity ratio of over 50 percent (2021: 55.4 percent). The Group is also open to the possibility of further partnerships and acquisitions.

Outlook through 2023
Taking into consideration the general conditions, opportunities and risks described above and assuming positive development of the global economy, the Executive Board, based on the information currently available, expects revenue to grow and profitability to remain stable or grow slightly in fiscal 2023.

[1] Source: IMF, January 2022, WORLD ECONOMIC OUTLOOK UPDATE
[2] Source: VDMA, Economic Situation, Construction Equipment and Building Material Machinery, January 2022
[3] Source: CEMA Business Barometer, January 2022

[4] Investments refer to property, plant and equipment and intangible assets (this figure does not include investments in the Group's rental equipment and purchase of investments).

Summary outlook for the development of Wacker Neuson SE and the Group

Global megatrends provide opportunities for the Wacker Neuson Group's business model. The Group plans to capitalize on these trends in a number of ways, including by focusing on developing its core markets and offering a portfolio of innovative products and services. In the short term, however, there are certain risks to the development of the global economy, to the smooth functioning of global supply chains and to customer demand in important target markets of the Group.

For fiscal 2022, the Executive Board expects revenue to lie between EUR 1,900 and 2,100 million, and an EBIT margin between 9.0 and 10.5 percent. Revenue growth coupled with stable or slight growth in profitability are expected for fiscal 2023.

The Group's actual development may deviate from this guidance either positively or negatively based on the opportunities and risks described in this report or in the event that the assumptions made by the Executive Board do not materialize.

Munich, March 24, 2022

Wacker Neuson SE, Munich, Germany

The Executive Board

Dr. Karl Tragl
Chairman of the Executive Board
Chief Executive Officer (CEO)

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Christoph Burkhard
Chief Financial Officer (CFO)

Alexander Greschner
Chief Sales Officer (CSO)

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Consolidated Income Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020
Revenue	(1)	1,866.2	1,615.5
Cost of sales		-1,382.7	-1,215.2
Gross profit		**483.5**	**400.3**
Sales and service expenses		-179.4	-227.7
Research and development expenses		-45.5	-32.5
General administrative expenses		-74.0	-71.4
Other income	(2)	12.6	18.6
Other expenses	(4)	-4.2	-11.8
Earnings before interest and tax (EBIT)		**193.0**	**75.5**
Financial income	(5a)	12.5	9.2
Financial expenses	(5b)	-18.1	-30.9
Earnings before tax (EBT)		**187.4**	**53.8**
Taxes on income	(6)	-49.5	-39.7
Profit for the period		**137.9**	**14.1**
Of which are attributable to:			
Shareholders in the parent company		137.9	14.1
Earnings per share in € (diluted and undiluted)[1]	**(7)**	**1.99**	**0.20**

Consolidated Statement of Comprehensive Income

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Notes	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020
Profit for the period		**137.9**	**14.1**
Other income			
Income to be recognized in the income statement for subsequent periods			
Exchange differences		14.1	-13.1
Cash flow hedges		1.5	-0.2
Effect of taxes on income		-0.4	-0.1
Income to be recognized in the income statement for subsequent periods		**15.2**	**-13.4**
Income not to be recognized in the income statement for subsequent periods			
Actuarial gains/losses from pension obligations		7.4	-4.7
Effect of taxes on income		-2.0	1.1
Financial assets measured at fair value through other comprehensive income		4.3	-4.0
Income not to be recognized in the income statement for subsequent periods	**(18)**	**9.7**	**-7.6**
Other comprehensive income after tax		**24.9**	**-21.0**
Total comprehensive income after tax		**162.8**	**-6.9**
Of which are attributable to:			
Shareholders in the parent company		162.8	-6.9

Consolidated Balance Sheet

BALANCE AT DECEMBER 31

IN € MILLION

	Notes	Dec. 31, 2021	Dec. 31, 2020
Assets			
Property, plant and equipment	(8)	393.9	391.6
Property held as financial investment	(9)	24.2	26.2
Goodwill	(10a)	228.6	228.6
Other intangible assets	(10b)	188.6	178.9
Investments	(29)	3.8	6.8
Deferred tax assets	(6)	29.4	29.4
Non-current financial assets	(11)	19.0	109.7
Total non-current assets		**887.5**	**971.2**
Rental equipment	(12)	191.6	159.5
Inventories	(13)	490.2	412.2
Trade receivables	(14)	237.9	222.4
Tax offsets	(6)	15.1	12.2
Other current financial assets	(15)	158.4	45.5
Other current non-financial assets	(15)	23.5	16.5
Cash and cash equivalents	(16)	305.5	283.1
Non-current assets held for sale	(17)	11.1	4.2
Total current assets		**1,433.3**	**1,155.6**
Total assets		**2,320.8**	**2,126.8**
Equity and liabilities			
Subscribed capital	(18)	70.1	70.1
Other reserves	(18)	587.1	562.2
Net profit/loss		682.0	585.8
Treasury shares		-53.0	–
Equity		**1,286.2**	**1,218.1**
Long-term financial borrowings	(21)	295.1	411.6
Long-term lease liabilities	(26)	50.4	57.1
Deferred tax liabilities	(6)	49.8	43.9
Provisions for pensions and similar obligations	(19)	54.6	64.8
Long-term provisions	(20)	10.0	9.8
Long-term contract liabilities	(24)	6.8	5.0
Total non-current liabilities		**466.7**	**592.2**
Trade payables	(22)	230.5	137.1
Short-term liabilities to financial institutions	(21)	138.7	9.2
Current portion of long-term borrowings	(21)	0.9	0.2
Short-term lease liabilities	(26)	22.2	25.7
Short-term provisions	(20)	20.5	19.0
Short-term contract liabilities	(24)	5.5	5.1
Income tax liabilities	(6)	22.8	32.8
Other current financial liabilities	(23)	74.6	38.5
Other current non-financial liabilities	(23)	52.2	48.9
Total current liabilities		**567.9**	**316.5**
Total liabilities		**2,320.8**	**2,126.8**

Consolidated Statement of Changes in Equity

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION

	Sub-scribed capital	Capital reserves	Exchange differ-ences	Other neu-tral changes	Net profit/loss	Treasury shares	Equity at-tributable to share-holders in the parent company
Balance at January 1, 2020	**70.1**	**618.7**	**-5.8**	**-29.7**	**571.7**	**–**	**1,225.0**
Profit for the period	–	–	–	–	14.1	–	14.1
Other income	–	–	-13.1	-7.9	–	–	-21.0
Total comprehensive income	**–**	**–**	**-13.1**	**-7.9**	**14.1**	**–**	**-6.9**
Dividends	–	–	–	–	–	–	–
Balance at December 31, 2020	**70.1**	**618.7**	**-18.9**	**-37.6**	**585.8**	**–**	**1,218.1**
Balance at January 1, 2021	**70.1**	**618.7**	**-18.9**	**-37.6**	**585.8**	**–**	**1,218.1**
Profit for the period	–	–	–	–	137.9	–	137.9
Other income	–	–	14.1	10.8	–	–	24.9
Total comprehensive income	**–**	**–**	**14.1**	**10.8**	**137.9**	**–**	**162.8**
Dividends	–	–	–	–	-41.7	–	-41.7
Purchase of treasury shares	–	–	–	–	–	-53.0	-53.0
Balance at December 31, 2021	**70.1**	**618.7**	**-4.8**	**-26.8**	**682.0**	**-53.0**	**1,286.2**

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

IN € MILLION	Notes	Jan. 1 – Dec. 31, 2021	Jan. 1 – Dec. 31, 2020 adjusted
EBT		**187.4**	**53.8**
Adjustments to reconcile profit before tax with gross cash flows			
Depreciation, amortization and impairment of non-current assets		77.4	88.3
Unrealized foreign exchange gains/losses		-1.9	10.5
Financial result	(5)	5.6	21.7
Gains from the sale of intangible assets and property, plant and equipment		-0.2	-3.9
Changes in rental equipment, net		-30.2	5.2
Changes in misc. assets		91.8	18.3
Changes in provisions		-4.1	2.5
Changes in misc. liabilities		49.4	1.5
Gross cash flow		**375.2**	**197.9**
Changes in inventories		-65.9	172.2
Changes in trade receivables		-11.9	78.6
Changes in trade payables		91.3	-11.5
Changes in net working capital		**13.5**	**239.3**
Cash flow from operating activities before income tax paid		**388.7**	**437.2**
Income tax paid		-57.0	-17.2
Cash flow from operating activities		**331.7**	**420.0**
Purchase of property, plant and equipment	(8)	-46.0	-48.0
Purchase of intangible assets	(10)	-36.2	-38.9
Purchase of investments		-0.6	-0.6
Proceeds of investments		8.6	–
Cash outflow from financial investments		-115.0	-15.0
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale		6.6	9.5
Proceeds from disposals from the consolidation group		–	2.0
Cash flow from investment activities		**-182.6**	**-91.0**
Free cash flow		**149.1**	**329.0**
Dividends	(18)	-41.7	–
Cash outflow from share buyback program		-53.0	–
Cash receipts from short-term borrowings		–	30.0
Repayments from short-term borrowings		-2.4	-137.4
Cash receipts from long-term borrowings		–	50.0
Repayments from lease liabilities	(26)	-22.2	-23.4
Interest paid		-10.6	-12.6
Interest received		1.0	1.8
Cash flow from financial activities		**-128.9**	**-91.6**
Change in cash and cash equivalents before effect of exchange rates		**20.2**	**237.4**
Effect of exchange rates on cash and cash equivalents		3.5	0.7
Change in disposable group		-1.3	–
Change in consolidation group		–	-1.3
Change in cash and cash equivalents		**22.4**	**236.8**
Cash and cash equivalents at the beginning of the period	**(16)**	**283.1**	**46.3**
Cash and cash equivalents at the end of period	**(16)**	**305.5**	**283.1**

Cash outflows from financial investments are included in cash flow from investment activities. In the previous year, these were reported in the line "Changes in misc. assets”. The Consolidated Cash Flow Statement has been adjusted to correct the reporting error in the previous year. For more information, please refer to the changes in accounting under IFRS

Consolidated Segmentation

FOR THE PERIOD FROM JANUARY 1 THROUGH DECEMBER 31

Consolidated Segmentation is part of the Notes to the Consolidated Financial Statements (refer to item 31).

SEGMENTATION (GEOGRAPHICAL SEGMENTS)

IN € MILLION

	Europe	Americas	Asia-Pacific	Consolida-tion	Group
2021					
Segment revenue					
Total revenue	2,342.4	380.6	87.0		2,810.0
Less intrasegment sales	-748.5	-38.2	-16.9		-803.6
	1,593.9	342.4	70.1		2,006.4
Intersegment sales	-116.4	-13.8	-10.0		-140.2
Revenue from external customers	**1,477.5**	**328.6**	**60.1**		**1,866.2**
EBIT	**175.9**	**20.6**	**2.8**	**-6.3**	**193.0**

	Europe	Americas	Asia-Pacific	Consolida-tion	Group
2020					
Segment revenue					
Total revenue	2,008.2	390.5	70.8		2,469.5
Less intrasegment sales	-627.1	-107.6	-8.6		-743.3
	1,381.1	282.9	62.2		1,726.2
Intersegment sales	-91.4	-12.5	-6.8		-110.7
Revenue from external customers	**1,289.7**	**270.4**	**55.4**		**1,615.5**
EBIT	**129.1**	**-63.7**	**-4.3**	**14.4**	**75.5**

The consolidation effect recognized and not assigned to the segments mainly comprises the elimination of interim profit on inventories and rental equipment.

SEGMENTATION (BUSINESS SEGMENTS)

IN € MILLION

	2021	2020
Segment revenue from external customers		
Light equipment	399.1	351.8
Compact equipment	1,063.0	878.9
Services	415.2	399.0
	1,877.3	1,629.7
Less cash discounts	-11.1	-14.2
Total	**1,866.2**	**1,615.5**

Geographical areas

REVENUE ACCORDING TO COMPANY LOCATION

IN € MILLION

	2021	2020
Germany	875.6	741.0
USA	239.2	185.6
Austria	142.3	109.3
Other	609.1	579.6
Wacker Neuson overall	**1,866.2**	**1,615.5**

NON-CURRENT ASSETS ACCORDING TO COMPANY LOCATION

IN € MILLION

	2021	2020
Germany	366.5	361.0
Austria	367.3	362.3
USA	39.0	39.8
Other	62.5	62.2
Wacker Neuson overall	**835.3**	**825.3**

The non-current assets reported here include property, plant and equipment, investment properties, goodwill, other intangible assets and other non-current assets that are not classified as financial instruments.

Notes to the Consolidated Financial Statements

General information on the company

Wacker Neuson SE (also referred to as "the company" in the following) is a listed European stock corporation (Societas Europaea or SE) headquartered in Munich (Germany). It is entered in the Register of Companies at the Munich Local Court under HRB 177839.

Wacker Neuson shares have been listed since May 2007 on the regulated Prime Standard segment of the German stock exchange in Frankfurt. The company has been listed in the SDAX since September 2007.

General information on accounting standards

The following Consolidated Financial Statements for fiscal 2021 were prepared for the company in accordance with the International Accounting Standards (IAS) as approved and published by the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) as interpreted by the IFRS Interpretation Committee (IFRS IC) as adopted by the EU, and in supplementary compliance with the provisions set forth in Section 315e (1) of the German Commercial Code (HGB). All valid and binding standards for fiscal 2021 have been applied.

The Consolidated Financial Statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, as well as the Notes to the Consolidated Financial Statements. In addition, a Group Management Report, which was combined with the Management Report of the company, was prepared in accordance with Section 315 HGB. As a rule, the Consolidated Financial Statements are prepared using the acquisition cost method and under the assumption of the entity's ability to continue as a going concern. The exception to this is the recognition of derivatives and certain other financial instruments, which are always carried at fair value. The income statement is prepared according to the cost-of-sales method. The Consolidated Financial Statements have been prepared in euros (EUR). Unless otherwise stated, all figures are rounded to the nearest million (€ m or EUR million).

Wacker Neuson SE's fiscal year corresponds to the calendar year. The Consolidated Financial Statements for fiscal 2021 (which include prior-year figures) were approved for publication by the Executive Board on March 24, 2022.

Changes in accounting under IFRS

Standards and interpretations applied for the first time in the fiscal year under review

The following standards, amendments to standards and interpretations are mandatory as of January 1, 2021:

Name	Description	Mandatory[1]
EU endorsement issued by the date of release for publication		
IFRS 4	Amendments to IFRS 4 Insurance Contracts – Deferral of IFRS 9	Jan. 1, 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 IBOR Reform and its Effects on Financial Reporting – Phase 2	Jan. 1, 2021
IFRS 16	COVID-19-related Concessions beyond June 30, 2021	Apr. 1, 2021

[1] For fiscal years that start on or after this date. Initial application in line with EU law.

IFRS 4 is not relevant for the Group.

The **IBOR reform – Phase 2** amendments are intended to support preparers of financial statements in providing useful information associated with the upcoming changes relating to the IBOR reform. They supplement the requirements from the first phase of the project and essentially apply to the replacement of an interest rate benchmark with another interest rate benchmark. The IBOR reform – Phase 2 amendments did not have any significant impact on the accounting and valuation methods used by the Group. The Group does not expect any material effect from the transition of LIBOR promissory notes (Schuldschein) in 2022. Refer to items 21 "Long- and short-term financial liabilities" and 25 "Derivative financial instruments" in these Notes for more information.

Amendments to IFRS 16
In response to the ongoing impact of the COVID-19 pandemic, the International Accounting Standards Board (IASB) amended IFRS 16 *Leases* in March 2021 to provide a one-year extension of the practical expedient to assist lessees in accounting for COVID-19-related lease concessions. The expedient originally only applied until June 30, 2021. These amendments did not have any impact on the Group's Consolidated Financial Statements and are not relevant from a materiality perspective. The Group did not avail of this practical expedient.

Standards and interpretations that have been published but not yet applied

The following accounting standards have been published but have not yet come into force, which is why there is no obligation to apply them yet. Should these accounting standards be endorsed by the European Union, it would, at the company's discretion, be generally possible to adopt them at an earlier date. At present, the Group aims to apply these standards as of the date on which they come into force.

Name	Description	Mandatory[1]
EU endorsement issued by the date of release for publication		
	Amendments to IFRS 3: Business Combinations IAS 16: Property, Plant and Equipment IAS 37: Provisions, Contingent Liabilities and Contingent Assets Annual improvements (2018–2020)	Jan. 1, 2022
EU endorsement still outstanding		
IFRS 17	Insurance Contracts	Jan. 1, 2023
IAS 1	Amendments to IAS 1, Classification of Liabilities as Current or Non-current	Jan. 1, 2023
IAS 1	Disclosure of Accounting Policies	Jan. 1, 2023
IAS 8	Definition of Accounting Estimates	Jan. 1, 2023
IFRS 16	COVID-19-related Concessions beyond June 30, 2021	Apr. 1, 2021
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Jan. 1, 2023

[1] For fiscal years that start on or after this date. Initial application in line with EU law provided already endorsed under EU law.

Amendments to IFRS 3, IAS 16 and IAS 37, annual improvements 2018–2020

IFRS 3 has been updated so that the references now relate to the current 2018 financial reporting framework. For obligations that fall within the scope of IAS 37, the amendments also include a requirement for the acquirer to apply IAS 37 to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy within the scope of IFRIC 21, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit clarification that the acquirer must not recognize contingent assets acquired in a business combination.

The amendments to IAS 16 now explicitly prohibit the deduction of any net proceeds from the cost of an item of property, plant and equipment. If goods are manufactured while an item of property, plant and equipment is being brought to the location or condition necessary for it to be capable of operating in the manner intended by management, an entity recognizes the proceeds from the sale of such goods and the cost of the goods in the income statement in accordance with the relevant standards. The requirements of IAS 2 apply to the measurement of production costs. Costs for testing to check whether the asset is functioning properly continue to be an example of directly attributable costs. The amendments now clarify that assessment of the technical and physical performance of an asset means assessing whether the asset is capable of producing or delivering goods or services, of being rented to third parties, or being used for administrative purposes. Furthermore, additional disclosures are now required in the Notes regarding income and costs recognized in the income statement from the disposal of goods produced during testing that are not incurred in the ordinary course of the entity's activities. The respective amounts must be disclosed, as well as the items in which they are included. This is only not required if they are disclosed separately in the statement of comprehensive income. The amended requirements apply retrospectively only to property, plant and equipment placed in the location or condition necessary for it to be capable of operating in the manner intended by management at or after the beginning of the earliest comparative period to the reporting period in which the amendments are first applied. An entity recognizes the cumulative effect of initial application in retained earnings (or another appropriate component of equity) in the opening balance sheet of the earliest reporting period presented.

The amendments to IAS 37 specify the scope of fulfillment costs for onerous contracts. All directly attributable costs are to be considered as fulfillment costs, i.e. the incremental costs of fulfilling the contract (such as directly attributable labor and material costs) and an allocation of other costs that relate directly to fulfilling the contract (such as pro rata depreciation of property, plant and equipment used to fulfill multiple contracts). The amendments are applicable to contracts for which not all obligations have been settled at the effective date. The comparative information is not to be restated; instead, the cumulative effect of initial application is recognized in retained earnings (or another appropriate equity item) in the opening balance sheet.

The IASB issued annual improvements to IFRS 2018–2020 on May 14, 2020, and amended the following standards:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*, with specific guidance on accounting for subsidiaries.
- IFRS 9 *Financial Instruments*, with amendments to the "10% test" relating to derecognition of financial liabilities. In the "10% test", an entity considers only fees paid or received between that entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16, with clarifications on accounting for lease incentives.
- IAS 41 *Agriculture*.

The Group believes that initial application of these amendments will not have any material impact on its accounting and valuation methods.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The IASB issued a detailed amendment to IAS 1, clarifying that the classification of liabilities as current or non-current should be based on the rights that an entity has at the end of a reporting period.

Liabilities are classified as non-current if the entity has a substantive right at the end of the reporting period to defer settlement of a liability for at least twelve months after the balance sheet date. Classification is no longer based on unconditional rights since loans are rarely unconditional. The assessment determines whether a substantive right exists, but it does not consider whether the entity will exercise the right. As such, management's intentions in this matter do not affect classification.

A right to defer that is dependent on certain conditions being fulfilled requires that the conditions be fulfilled at the reporting date. The right to defer only exists if this is the case. A liability shall be classified as current if the conditions for a deferral are breached on or before the reporting date, even if a creditor waives the fulfillment of the condition after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

“Settlement” of liability is defined as the extinguishment of a liability with cash, other economic resources or an entity’s own equity instruments. There is an exception for convertible instruments that include conditions enabling the counterparty to demand settlement with equity instruments. The exception states that these conditions do not affect whether the liability is classified as current or non-current provided the option is classified separately as an equity component of a compound financial instrument in accordance with IAS 32.

The Group believes that initial application of these amendments will not have any material impact on its accounting and valuation methods.

Initial application of the standards and interpretations not specifically described is unlikely to substantially change the current accounting and valuation methods used by the Group.

Changes to accounting and valuation methods

Changes in the useful life of internally produced intangible assets
In the context of current SAP implementation projects, the Group reviewed the useful life of capitalized software projects (mainly SAP projects) that were developed internally. It was determined that the useful life previously disclosed at eight years did not sufficiently take into account the current faster pace of technological progress and the frequency of significant updates. Accordingly, the useful life was changed to six years. Determination of the useful life of intangible assets is a discretionary decision, and this reduction therefore represents a change in estimates in accordance with IAS 8. No historical values need to be adjusted. The change resulted in additional amortization in fiscal 2021 in the amount of EUR 1.1 million (total amortization in 2021: EUR 3.1 million) relative to the previous year’s figure (total amortization in 2020: EUR 1.5 million).

New Cash flow line: Cash outflow from financial investments
Cash outflows from financial investments are included in cash flow from investment activities. In the previous year, these were reported in the line "Changes in misc. assets”. The presentation of the consolidated statement of cash flows has been adjusted to correct the reporting error in the previous year. There was a corresponding shift between cash flow from operating activities and cash flow from investing activities.

CONSOLIDATED CASH FLOW STATEMENT– ADJUSTMENTS DUE TO CHANGES IN ACCOUNTING POLICY

IN MIO. €

	Dec. 31, 2020 adj.	Change	Dec. 31, 2020
Changes in misc. assets	18.3	15.0	3.3
Cash outflow from financial investments	-15.0	-15.0	0.0

Closing date

The closing date for all Group members included in the Consolidated Financial Statements is December 31 of the respective year. The current accounting period is January 1, 2021, through December 31, 2021.

Consolidation structure → See page 86

In addition to the parent company, Wacker Neuson SE, the Consolidated Financial Statements as at December 31, 2021 include the following affiliates controlled by the Group. The Group is deemed to control a company if it carries the risks associated with or the rights to fluctuating returns on its shareholding in the company, and if it can also use its power of control over the company to influence these returns. As a rule, control is exercised through the following shareholdings:

CONSOLIDATION STRUCTURE

	Company name	City	Type of company[1]	Country	Wacker Neuson SE shareholding as a % direct	indirect	Equity IN K€	Segment
	Germany							
1	Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen	PXX	Germany	100		81,005	Europe
2	Wacker Neuson PGM Verwaltungs GmbH	Reichertshofen	Sonstige	Germany		100	38	Europe
3	Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich	SXX	Germany	100		52,754	Europe
4	Wacker Neuson SGM Verwaltungs GmbH	Munich	Sonstige	Germany		100	36	Europe
5	Wacker Neuson Aftermarket & Services GmbH	Munich	Logistik	Germany	100		31,223	Europe
6	Weidemann GmbH	Korbach	PXX	Germany	100		68,706	Europe
7	Kramer-Werke GmbH	Pfullendorf	PXX	Germany	5	90	79,060	Europe
8	Kramer-Areal Verwaltungs GmbH	Pfullendorf	Sonstige	Germany		95	6,969	Europe
9	Wacker Neuson Immobilien GmbH	Überlingen	Sonstige	Germany		95	3,160	Europe
	Rest of Europe							
10	Wacker Neuson S.A.S.	Brie-Comte-Robert (near Paris)	SXX	France	100		7,612	Europe
11	Wacker Neuson Ltd.	Stafford (near Birmingham)	SXX	UK	100		8,350	Europe
12	Wacker Neuson srl con socio unico	San Giorgio	SXX	Italy	100		2,451	Europe
13	Wacker Neuson B.V.	Amersfoort	SXX	Netherlands	100		3,333	Europe
14	Wacker Neuson Belgium BVBA	Asse-Mollem	SXX	Belgium		100	2,333	Europe
15	Wacker Neuson AS	Hagan (near Oslo)	SXX	Norway	100		2,173	Europe
16	Wacker Neuson Beteiligungs GmbH	Hörsching (near Linz)	Holding	Austria	100		161,380	Europe
17	Wacker Neuson Linz GmbH	Hörsching (near Linz)	PXX	Austria		100	219,263	Europe
18	Wacker Neuson Kragujevac d.o.o.	Kragujevac	PXX	Serbia	100		10,097	Europe
19	Wacker Neuson GmbH	Wien	SXX	Austria	100		19,301	Europe
20	Wacker Neuson Sp. z.o.o.	Jawczyce (near Warschau)	SXX	Poland	100		9,268	Europe
21	Wacker Neuson GmbH	Moskau	SXX	Russia	100		447	Europe
22	Wacker Neuson AB	Arløv (near Malmö)	SXX	Sweden	100		612	Europe
23	Wacker Neuson AG	Volketswil (near Zürich)	SXX	Switzerland	100		22,377	Europe
24	Wacker Neuson, S.A.	Torrejón de Ardoz (near Madrid)	SXX	Spain	100		2,979	Europe
25	Wacker Neuson (Pty) Ltd.	Florida (near Johannesburg)	SXX	South Afrika	100		823	Europe
26	Wacker Neuson s.r.o.	Prag	SXX	Czech Republic	100		4,824	Europe
27	Wacker Neuson s.r.o.	Lučenec	SXX	Slovakia	100		287	Europe
28	Wacker Neuson Makina Limited Şirketi	Tuzla (near Istanbul)	SXX	Turkey	100		916	Europe
29	Wacker Neuson Kft.	Törökbálint (near Budapest)	SXX	Hungary	100		1,268	Europe
	Americas							
30	Wacker Neuson Máquinas Ltda.	Itaiba (near São Paulo)	SXX	Brazil	100		490	Americas
31	Wacker Neuson Ltda.	Huechuraba (near Santiago)	SXX	Chile	100		-3,897	Americas
32	Wacker Neuson Ltd.	Mississauga (near Toronto)	SXX	Canada	100		8,350	Americas
33	Wacker Neuson S.A. de C.V.	Mexico City	SXX	Mexiko	100		2,528	Americas
34	Wacker Neuson America Corporation	Menomonee Falls[2]	SXX	USA	100		70,057	Americas
35	Lightning Rod Investments LLC	Menomonee Falls[2]	Sonstige	USA		100	9,187	Americas
36	Wacker Neuson Bogotá S.A.S.	Bogotá	SXX	Columbia	100		-5,959	Americas
37	Wacker Neuson Lima S.A.C. i.L.	Lima	SXX	Peru	99	1	-2,506	Americas
	Asia-Pacific							
38	Wacker Neuson Pty Ltd.	Springvale (near Melbourne)	SXX	Australia	100		8,936	Asia-Pacific

39	Wacker Neuson Limited i.L.	Hong Kong	SXX	Hong Kong	100		12	Asia-Pacific
40	Wacker Neuson Shanghai Ltd.	Shanghai	SXX	China	100		1,716	Asia-Pacific
41	Wacker Neuson Machinery (China) Co., Ltd.	Pinghu	PXX	China	100		7,324	Asia-Pacific
42	Wacker Neuson Machinery Trading (Pinghu) Co., Ltd.	Pinghu	SXX	China		100	1,032	Asia-Pacific
43	Wacker Neuson (Singapore) PTE. LTD	Singapur	SXX	Singapore	100		1,654	Asia-Pacific
44	Wacker Neuson Equipment Private Ltd.	Bangalore	SXX	India	100		1,258	Asia-Pacific
45	Wacker Neuson Manila, Inc. i.L.	Dasmariñas (near Manila)	PXX	Philippines	100		6,896	Asia-Pacific

[1] SXX = Sales company / PXX = Production company / Other = generally refers to real-estate companies or general partners (Komplementär) in KG companies.
[2] Near Milwaukee.

The following changes were made to the consolidation structure in fiscal 2021:

Wacker Neuson Machinery Trading (Shenzhen) Ltd. Co. was liquidated in March 2021.

In October 2021, Wacker Neuson Grundbesitz GmbH & Co. KG was retrospectively converted into a GmbH with effect from January 1, 2021, and now trades under the name Kramer-Areal Verwaltungs GmbH.

In November 2021, Wacker Neuson Grundbesitz Verwaltungs GmbH was retrospectively merged into the new Kramer-Areal Verwaltungs GmbH company (which had already changed its form) with effect from January 1, 2021.

No acquisitions of fully consolidated companies were made in fiscal 2021.

The Group does not hold any investments in associated companies or joint ventures that are recognized at equity on the balance sheet.

Consolidation principles

The Consolidated Financial Statements are based on the annual financial statements of the domestic and foreign companies included in the Group, which were prepared in accordance with IFRS to the year ending December 31, 2021. The annual financial statements of these companies were prepared according to the uniform accounting and valuation methods applied by the Group.

Companies are consolidated using the acquisition method. For first-time consolidation of Group members, all identifiable assets, liabilities and contingent liabilities of the acquired companies are recognized at their fair values.

During initial consolidation of acquired companies that constitute a business, positive balances remain after reevaluation of all hidden assets and liabilities. These are capitalized as goodwill resulting from equity consolidation and are subject to an annual impairment test. To carry out the impairment test, this goodwill is allocated to the cash-generating units of the Group likely to benefit from the merger.

All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Group inventories, rental equipment and fixed assets are adjusted to reflect intra-Group profits and losses.

Consolidation transactions affecting income and consolidation transactions that do not affect income are subject to deferred tax.

Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/non-current classification. An asset is current when it is expected to be realized or intended to be sold or consumed in the normal operating cycle, is held primarily for the purpose of trading, is expected to be realized within twelve months after the reporting period, or is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled within the normal operating cycle, is held primarily for the purpose of trading, is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

Exchange differences

Transactions carried out in foreign currencies are recognized at the exchange rate applicable at the time of the transaction. Nominal assets and liabilities in foreign currencies are converted at the exchange rate effective at the balance sheet date. The resulting translation differences are recognized in the income statement. This excludes monetary items that are designated as part of the Group's net investment in a foreign operation. These are disclosed in other income until the disposal of the net investment.

The annual financial statements of consolidated Group members that are prepared in foreign currencies are translated into euros according to the concept of the functional currency. The functional currency is taken to refer to the relevant national currency, with the exception of the Philippines, Peru (US dollar) and Hungary (euro). Thus, assets and liabilities are translated at the spot rates of exchange effective at the balance sheet date, whereas income and expenses are translated at the average annual rates of exchange, provided that the exchange rates did not fluctuate strongly during the period under review.

Translation differences resulting from the conversion of foreign affiliate figures into the Group's currency, which arise from the application of different exchange rates for the balance sheets and income statements, are recognized in other income and recorded as a separate item of equity with no impact on the financial result.

The exchange rates of the main currencies relevant to the Group are as follows:

RATES OF MAJOR CURRENCIES

1 Euro equals		2021	2020	2021	2020
		Annual average rates		Rates at balance sheet date[1]	
Australia	AUD	1.5748	1.6553	1.5615	1.5896
Brazil	BRL	6.3799	5.8866	6.3101	6.3735
Chile	CLP	897.5292	902.6920	955.6400	869.6500
China	CNY	7.6321	7.8728	7.1947	8.0225
Denmark	DKK	7.4371	7.4543	7.4364	7.4409
United Kingdom	GBP	0.8597	0.8894	0.8403	0.8990
Hong Kong	HKD	9.1955	8.8543	8.8333	9.5142
India	INR	87.4491	84.6041	84.2292	89.6605
Japan	JPY	129.8713	121.8085	130.3800	126.4900
Canada	CAD	1.4830	1.5297	1.4393	1.5633
Columbia	COP	4427.9383	4214.7682	4607.2000	4200.5000
Mexiko	MXN	23.9930	24.5099	23.1438	24.4160
Norway	NOK	10.1634	10.7245	9.9888	10.4703
Peru	PEN	4.5878	3.9900	4.5175	4.4461
Philippines	PHP	58.2987	56.6013	57.7630	59.1250
Poland	PLN	4.5650	4.4437	4.5969	4.5597
Russia	RUB	87.2002	82.6507	85.3004	91.4671
Sweden	SEK	10.1465	10.4883	10.2503	10.0343
Switzerland	CHF	1.0815	1.0704	1.0331	1.0802
Serbia	RSD	117.5733	117.5778	117.5790	117.5910
Singapore	SGD	1.5893	1.5737	1.5279	1.6218
South Africa	ZAR	17.4736	18.7626	18.0625	18.0219
Thailand	THB	37.8234	35.7000	37.6530	36.7270
Czeck Republic	CZK	25.6475	26.4569	24.8580	26.2420
Turkey	TRY	10.4853	8.0428	15.2335	9.1131
USA	USD	1.1831	1.1416	1.1326	1.2271

[1] Rates at the balance sheet date: rates on the last working day of the year.

Important events

In addition to the legal changes, the main important events that occurred during the 2021 reporting period can be described as follows:

2021 Annual General Meeting

- The Annual General Meeting (AGM) of Wacker Neuson SE took place on May 26, 2021. Once again, the meeting was held virtually, without shareholders or their proxy holders being physically present (with the exception of the proxies appointed by the company).
- The dividend proposed by the Executive Board and Supervisory Board in the amount of EUR 0.60 per share for fiscal 2020 was approved by shareholders. EUR 41.7 million was thus distributed to the shareholders.
- During the course of further resolutions, the Annual General Meeting also approved the new remuneration system for the Executive Board with a large majority, and additionally adopted the remuneration system for the Supervisory Board presented at the meeting.

Changes in the composition of executive bodies

- Dr. Karl Tragl was appointed by the Supervisory Board as the new Chairman of the Executive Board and CEO with effect from June 1, 2021.
- Mr. Christoph Burkhard was appointed by the Supervisory Board as the new CFO with effect from June 1, 2021.
- Mag. Kurt Helletzgruber transferred back from the Executive Board to the Supervisory Board as planned with effect from June 1, 2021.

Share buyback program

On March 18, 2021, the Executive Board of Wacker Neuson SE – with the approval of the Supervisory Board – resolved to utilize the authorization granted by the company's Annual General Meeting on May 30, 2017, to launch a share buyback program ("2021 share buyback program"). Within the framework of the 2021 share buyback program, a total of 2,124,655 treasury shares (corresponding to 3.0 percent of the company's share capital) were repurchased between April 1, 2021, and November 19, 2021. The average purchase price per share paid on the stock exchange was EUR 24.95. Overall, treasury shares were bought back for a total purchase price (excluding incidental acquisition costs) of EUR 52,999,971.94. The treasury shares will be primarily used by way of consideration in connection with the acquisition of companies or to serve participation programs for Group employees and Executive Board members, as required.

Performance

- Following the fall in revenue in 2020 due to the impact of the COVID-19 pandemic, the Wacker Neuson Group's business performance experienced a rapid recovery in fiscal 2021. The Group reported revenue of EUR 1,866.2 million, which represents growth of 15.5 percent in comparison with the previous year (2020: EUR 1,615.5 million). However, overstretched and repeatedly disrupted supply chains dampened growth momentum from the second quarter onwards, with the result that the Group could not quite reach the 2019 level despite high customer demand. Supply bottlenecks for raw materials and components as well as a sharp reduction in shipping capacities resulted in delays in the production and delivery of products, although the Group largely managed to avoid extended production shutdowns.

- While the Americas were particularly hard hit by the COVID-19 pandemic, revenue in this region recovered in fiscal 2021, partly driven by a gradual increase in demand from rental companies over the course of the year, climbing 21.5 percent to EUR 328.6 million (2020: EUR 270.4 million).
- The Group was able to achieve a substantial increase in profitability in fiscal 2021 – even compared with the 2019 pre-crisis level. Following the sharp decline in 2020, earnings before interest and taxes (EBIT) rose 155.6 percent to EUR 193.0 million, driven in part by the increased sales volume in conjunction with strict cost control measures, thus also significantly exceeding 2019 EBIT (2020: EUR 75.5 million; 2019: EUR 153.1 million). The EBIT margin amounted to 10.3 percent (2020: 4.7 percent; 2019: 8.1 percent). Relative to the previous year, value adjustments in connection with allowances for doubtful receivables had a significant impact on earnings. Whereas impairment losses in the amount of EUR 33.3 million were recognized in 2020, the net effect here was EUR +13.5 million in 2021.
- In connection with the disposal of a minority shareholding in North America in the first half of 2021, non-current receivables from that shareholding in the amount of EUR 28.2 million were sold to the acquirer at a purchase price of EUR 49.1 million. In addition to non-current receivables with extended payment terms, non-current receivables from prepaid volume bonuses were also sold. Loss allowances in the amount of EUR 20.9 million on this portfolio were thus derecognized. In contrast, estimated credit loss (ECL) allowances in the amount of EUR 19.2 million were recognized in the Americas region in the first half-year. Of the EUR 19.2 million, EUR 17.4 million was also derecognized in the second half-year as a result of pre-term receipt of payments outstanding. Both the recognition of the ECL allowance and its reversal are reported under sales and service expenses.
- Pre-term receipt of payments outstanding in the second half of 2021 resulted in the reversal of further ECL allowances. Viewed over the year as a whole, this produced a net effect of EUR +13.5 million.

Refer to page 32 ff. in the Group Management Report for further information and explanatory comments on events that could have a substantial impact on profit, financials and assets.

Accounting and valuation methods

Revenue and earnings recognition

Revenue is recognized when control over distinct goods or services is passed to the customer, i.e. when the customer has the ability to direct the use of the transferred goods or services and substantially obtains the remaining benefits from the asset. This presupposes that an agreement with enforceable rights and obligations has been concluded and, among other things, that receipt of the respective consideration is probable, taking into account the customer's credit rating. The revenue corresponds to the transaction price to which Wacker Neuson is likely to be entitled. Variable consideration is included in the transaction price to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty associated with the variable consideration has been resolved.

Revenue from the sale of light and compact equipment
Revenue from the sale of light and compact equipment is recognized at the point when control is transferred to the purchaser, usually upon delivery of the goods. Invoices will be issued at that time, with payment terms usually providing for payment within 30 days of an invoice being issued.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. extended warranties). In determining the transaction price for the sale of light and compact equipment, the Group considers the effects of variable consideration, the existence of significant financing components, and, if applicable, any non-cash consideration and consideration payable to the customer.

(a) Variable consideration
If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained from inclusion in the transaction price until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Some contracts for the sale of light and compact equipment grant customers a takeback and buyback obligation on the part of Wacker Neuson, or volume rebates or discounts. These give rise to variable consideration.

- Take-back obligations

Certain contracts provide a customer with the right to return goods at a predefined value which is less than the original selling price. According to the requirements of IFRS 15, this is a sales option for the customer in which the Group acts as writer of the option. Based on the contract structures, the Group currently does not believe that the customer has an economic benefit from exercising the option and accounts for the take-back obligation according to the requirements of IFRS 15 for return rights. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. Based on its historical experience with such transactions, the Group considers the probability of its take-back obligations to be insignificant. Therefore, no refund liabilities or right-of-return assets are recorded. Information on this is provided in item 28, “Other financial liabilities”, in these Notes.

- Volume and sales rebates

The Group provides retrospective rebates to certain customers once the quantity of products purchased during the period exceeds a volume threshold or particular revenue level specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the “most likely amount” method for contracts with a single quantity or volume threshold and the “expected value” method for contracts with more than one quantity or volume threshold. The selected method that best predicts the amount of variable consideration is thus primarily driven by the number of quantity or volume thresholds contained in the contract. The Group already includes the variable price components when recognizing revenues from the sale of products if it is likely that the customer will meet the agreed targets. The regulations on constraining estimates of variable consideration are applied in this regard. A refund liability is formed in the same amount for the anticipated future rebates.

In addition, the Group provides sales support to selected customers in the form of prepaid bonuses. These are classified as assets under the balance sheet items “Other non-current financial assets” and “Other current financial assets”. Here too, the Group already includes the variable price components when recognizing revenues from the sale of products if it is likely that the customer will meet the agreed targets during the term of the agreement, and reduces the receivable from the prepaid bonus to the customer in the same amount.

- Discounts

The Group grants certain customers reduced prices if payment is made within defined shorter periods (discounts). Discounts granted are offset against amounts payable by the customer. The Group identifies the transaction price while considering the most probable amount and already includes this variable price component discount when recognizing revenues if, based on the customer's past payment behavior, it can be assumed that the customer will deduct the discount amount that has been granted. The regulations on constraining estimates of variable consideration are applied in this regard. A refund liability is formed in the same amount for the anticipated future discounts.

(b) Significant financing component
Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. Advance payments from customers are recognized under the balance sheet item “Contract liabilities”.

The Group offers customers financing services through financing partners. The interest payable by the Group to financing partners is deducted from revenue as a deferral.

For contracts where the period between the transfer of the goods or services and the payment date exceeds twelve months and a significant benefit from the financing arrangement accrues to the customer or to Wacker Neuson, the consideration is adjusted by the time value of money. The Group otherwise waives the option to adjust for short-term periods under the practical expedients provided under IFRS 15. As the Group is constantly expanding its activities as a financing partner for its customers (e.g. through long-term payment terms), the financing components initially deferred are carried as revenue over the agreed period, albeit separate from the revenue from contracts with customers (other revenue). The deferred financing components are reported under contract liabilities in the balance sheet. Material financing components reduce the initial recognition of the financial asset and are distributed over the agreed term in line with the effective interest rate method.

Revenue from the sale of spare parts
Revenue from the sale of spare parts is recognized at the point when control is transferred to the purchaser, usually upon delivery of the goods. Invoices will be issued at that time, with payment terms usually providing for payment within 30 days of an invoice being issued. Revenue from the sale of spare parts is reported under the services segment.

Warranty obligations
The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties according to IFRS 15 are accounted for under IAS 37: Provisions, Contingent Liabilities and Contingent Assets. Refer to "Other provisions" for details of the accounting policy on warranty provisions.

In addition to fixing defects that existed at the time of sale, the Group provides extended warranties (contract liabilities). These service-type warranties according to IFRS 15 are sold either separately or bundled together with the sale of light or compact equipment. Contracts for bundled sales of light or compact equipment and a service-type warranty comprise two performance obligations because the promises to transfer the light or compact equipment and to provide the service-type warranty are capable of being distinct. Using the relative standalone selling price method, a portion of the transaction price is allocated to the service-type warranty and deducted from the transaction price for the sale of the products. Extended warranties are recognized under the balance sheet item "Contract liabilities".

Revenue from the rendering of services
Revenue from services is recognized on a straight-line basis over the period during which the services are provided or – if the service is not provided on a straight-line basis – upon performance of the service. Invoices are issued in accordance with the terms of the contract, with payment terms usually providing for payment within 30 days of an invoice being issued. In addition to rental income, income from the provision of services mainly comprises income from customer financing, the telematics business, extended warranties and the spare parts business. If a customer makes an advance payment for services to be rendered in the future, this is generally to be reported as a contractual liability. Deferred advance payments for services to be rendered in the future are recognized under the balance sheet item "Contract liabilities".

Revenue from the rental of equipment and accessories
The Group recognizes revenue from the short-term rental of equipment and accessories on a straight-line basis over the rental term because the customer simultaneously receives and consumes the benefits provided by the Group. In determining the transaction price from the rental of equipment and accessories, the Group considers the effects of variable consideration similar to the sale of light and compact equipment. The average rental period is around 15 days. For reasons of materiality and given the very short periods of time involved, revenue of this nature does not differentiate between performance obligations that are satisfied "at a point in time" and those that are satisfied "over time" in these Notes. Invoices are issued in accordance with the terms of the contract, with payment terms usually providing for payment within 30 days of an invoice being issued.

Realization of expenses

Operating expenses are recognized in the income statement upon execution of the service or at the date of their origin. Interest expense is recognized on an accrual basis taking the outstanding principal of the loan and the applicable interest rate into account.

Determining fair value

The Group identifies and values certain financial instruments (such as derivatives, securities, investments and plan assets under IAS 19) at fair value at every closing date in line with applicable guidelines. Financial instruments are also recognized at fair value. Refer to item 29, "Additional information on financial instruments", in these Notes for further information on fair value. Fair value is the price that would be received for the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date. Fair value measurement assumes that the business transaction takes place:

- On the principal market for the asset or liability
- Or, in the absence of a principal market, on the most advantageous market for the asset or liability

The Group must have access to the principal market or the most advantageous market.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy according to IFRS 13, described as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1: Prices quoted in active markets (not adjusted)
- Level 2: Evaluation techniques where the lowest-level input significant to the fair value measurement is observable either directly or indirectly on the market
- Level 3: Evaluation techniques where the lowest-level input significant to the fair value measurement is not observable on the market

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between fair value levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The corporate functions responsible (e.g. Corporate Real Estate, Corporate Treasury) in consultation with the Board member responsible determine the policies and procedures for both recurring fair value measurement, such as investment properties and unquoted financial assets, and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as investment properties and unquoted financial assets. The engagement of external valuers is reviewed annually by the relevant corporate functions at the Group on the basis of observed market indicators to determine whether significant changes have occurred in the general conditions. An external valuer is engaged after consultation with and approval from the Board member responsible. Selection criteria include market knowledge, reputation, independence and compliance with professional standards. Valuers are normally rotated every three years. The corporate function managers and Board member responsible decide, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each individual case.

At each reporting date, the Group's corporate functions analyze the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, the responsible corporate functions verify the major inputs applied in the latest valuation by aligning the information in the valuation computation with contracts and other relevant documents. The responsible corporate functions, in conjunction with the Group's external valuers, also compare the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. The valuation results are presented to the Audit Committee and the Group's auditor during the year. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Property, plant and equipment

Construction in progress is carried at cost, net of accumulated impairment losses, if any. Property, plant and equipment is stated at cost, net of accumulated scheduled straight-line depreciation and accumulated impairment losses, if any. An item of property, plant and equipment is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Financing costs are capitalized provided there is a qualified underlying asset.

Investment properties

Land and buildings held for the purpose of generating rental revenue are designated at amortized cost using the acquisition cost method. Straight-line depreciation is calculated using the pro rata temporis method.

Intangible assets

Intangible assets acquired independently of a business combination are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

For subsequent valuations of intangible assets, the useful lives of intangible assets are assessed as either limited or unlimited.

Intangible assets with limited useful lives are subject to scheduled amortization over the useful estimated economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a limited useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with limited useful lives is recognized in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with unlimited useful lives are tested for impairment at least once a year, either individually or at the cash-generating unit level. These intangible assets are not subject to scheduled amortization. The assessment of unlimited useful life is reviewed annually to determine whether the unlimited life continues to be supportable. If not, the change in useful life from unlimited to limited is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Financing costs are capitalized provided there is a qualified underlying asset.

Leases

When the Group is the lessee, leases are recognized as right-of-use assets with a corresponding lease liability as at the point in time when the leased object is available for use by the Group. Lease payments are apportioned between reduction of the lease liability and finance charges. Finance charges are recognized in the income statement over the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is subject to straight-line depreciation over the shorter period – either the useful life or the term of the lease.

At contract inception, the Group assesses whether an agreement constitutes or contains a lease. This is deemed to be the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Assets and liabilities from leases are initially recognized at present value.

(a) Lease liabilities
Lease liabilities include the present value of the following lease payments:

- Fixed payments (including in-substance fixed payments, net of lease incentives, if any)
- Variable lease payments that depend on an index or interest rate
- Amounts expected to be paid under residual value guarantee by the lessee
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- Payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease

When calculating the present value of lease payments, the Group uses its incremental borrowing rate on the commencement date, as the interest rate on which the lease is based cannot be easily determined. After the commencement date, the amount of the lease liability is increased in order to do justice to the higher interest expense and reduced in order to do justice to the lease installments paid. In addition, the carrying amount of the lease liabilities is revalued in the event of changes to the lease, changes to the term of the lease, changes to the lease installments (e.g. changes to future lease installments as a result of a change to the index or interest rate used to determine these payments) or in the event of a change to the assessment of a purchase option for the underlying asset.

(b) Right-of-use assets
Right-of-use assets are designated at cost, which comprises the following:

- The amount of the initial measurement of the lease liability
- All lease payments made at or before the commencement date, net of lease incentives received, if any
- All initial direct costs incurred by the lessee
- An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease

Right-of-use assets are subject to scheduled straight-line depreciation over the shorter period – either the expected useful life or the term of the lease.

If ownership of the leased item is transferred to the Group at the end of the term of the lease, or if the costs include exercising a purchase option, the depreciation is calculated based on the anticipated useful life of the leased item.

Right-of-use assets are also reviewed for impairment.

(c) Short-term leases and leases based on a low-value asset
The Group applies the short-term lease recognition exemption to all short-term leases (i.e. leases that have a lease term of twelve months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets (such as IT equipment, bicycles and small pieces of office furniture) that are considered to be of low value.

Lease installments for short-term leases and for leases based on a low-value asset (which is generally an acquisition cost of less than EUR 5,000) are recorded as expenses on a straight-line basis over the term of the lease.

(d) Sale and leaseback
In the past, the Group concluded a sale-and-leaseback agreement with financial institutions where the leaseback was already classified as a finance lease due to the repurchase option, in accordance with IAS 17 regulations at that time. According to IFRS 16, the head lease should continue to be treated as a lease. The contractual conditions are passed on “as is” (also including the purchase option) to selected dealers. From the Group’s perspective, this in turn leads to classification as a finance lease, so the asset is immediately derecognized from the head lease and a lease receivable is recognized at the same time. This sales-supporting measure gives the dealer access to favorable interest conditions.

Further contracts concluded on the basis of the model described above are now accounted for under IFRS 16, and the associated liabilities are reported as financial liabilities. Refer to item 21, “Long- and short-term financial liabilities”, in these Notes for further information.

(e) Group as lessor
The Group also acts as a manufacturer lessor. In this case, each lease is classified at contract inception as either a finance or an operating lease. In the case of a finance lease, substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee; in the case of an operating lease, substantially all the risks and rewards remain with the Group.

For a finance lease, the underlying asset is removed from the balance sheet and a lease receivable is recognized accordingly, differentiating between current and non-current. The amount of the lease receivable corresponds to the net investment value of the leased asset at the commencement date. Revenue and cost of sales are recognized for a finance lease at the commencement date. Revenue is recognized at the fair value of the leased asset, reduced by any unguaranteed residual value of assets that are expected to be returned to the Group. Cost of sales is also reduced by unguaranteed residual values. Subsequently, lease payments received are apportioned between interest and principal and shown as interest income and repayment of lease receivables, respectively. Interest income is distributed across accounting periods so that a constant periodic rate of interest is shown over the term of the lease.

In the case of an operating lease, the underlying asset (usually rental equipment) continues to be recognized in the balance sheet and the lease payments received are recorded as revenue in the income statement on a straight-line basis over the term of the corresponding lease.

Rental equipment
Rental equipment is carried at cost net of accumulated scheduled straight-line depreciation (between five and eight years) and accumulated impairment losses. The general idea with equipment assigned to the rental fleet is that it will be made available over time to customers looking for short-term rentals. However, such equipment can – similar to inventory stock – also be sold to customers at any time and this option is also supported. Rental equipment is derecognized upon disposal (i.e. at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized. The residual values, useful lives and methods of depreciation of rental equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Inventories
Inventories of work in process and finished products, as well as raw materials and supplies, are valued at cost in accordance with IAS 2. To the extent that the cost of inventories is above fair value, they are written down to the lower net realizable value at the balance sheet date. The net realizable value corresponds to the estimated realizable sales price under normal business conditions, net of the estimated manufacturing and sales costs. If the net realizable value of formerly written-down inventories has increased, corresponding write-ups will be made.

In determining acquisition costs, incidental acquisition costs are added and rebates on purchase prices are deducted. Cost of sales includes all expenses that are allocable either directly or indirectly to the manufacturing process.

Costs of inventories were, for the main part, determined on the basis of the FIFO method; in other words, on the assumption that those assets that were acquired first will be consumed first. The moving average cost method is also used to simplify valuation. The Group uses derivative financial instruments to hedge against currency risks arising from the purchase of inventories in foreign currencies (see "Derivative financial instruments" for details).

Non-current assets held for sale
The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value, less cost to sell. Cost to sell refers to the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held-for-sale classification are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale must be expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

Financial instruments and hedge accounting

(a) Financial assets
Financial assets are classified, at initial recognition, as subsequently designated at amortized cost, fair value through other comprehensive income, and fair value recognized in the income statement.

The classification of financial assets in the form of debt instruments at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not measured at fair value recognized in the income statement, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in the "Revenue and earnings recognition" section for further information.

In order for a financial asset in the form of a debt instrument to be classified and designated at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and designated at amortized cost are held within a business model which has the aim of holding financial assets in order to collect contractual cash flows. Loans, receivables and other debt instruments are allocated to the "hold" business model in order to collect the contractual cash flows consisting of interest and principal.

In contrast, financial assets which are classified and designated at fair value under other income are held within a business model with the objective of both holding to collect contractual cash flows and selling.

The assessment of whether contractual cash flows on debt instruments are solely payments of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Under IFRS 9, debt instruments are subsequently designated at fair value recognized in the income statement, amortized cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

For purposes of subsequent measurement, financial assets are classified in four measurement categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value recognized in the income statement

An outstanding receivable vis-à-vis a foreign business, the discontinuation of which is neither planned nor likely in the foreseeable future, corresponds largely to part of the net investment in this foreign business. The nominal value amounts to USD 60.0 million (previous year: USD 60.0 million) and was issued by the German parent company of the Group to the American sales affiliate Wacker Neuson Sales Americas LLC. Translation differences from this outstanding receivable that corresponds to part of a net investment in a foreign business are initially recognized under other income and, in the event that the net investment is sold, will be reclassified from equity to the income statement.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Consolidated Financial Statements.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the income statement when the asset is derecognized, modified or impaired. The Group's financial assets at amortized cost are as follows:

- Receivables (extended payment terms) from dealers: Extended payment terms with a maturity of more than 360 days are granted to selected dealers to support sales. These are reported in the balance sheet under "Other non-current financial assets", as long as the maturity remains more than 360 days. As soon as the maturity falls below 360 days, the current portion is reclassified to the balance sheet item "Trade receivables". Receivables from prepaid volume bonuses: Volume bonuses are paid in advance to selected US dealers to assist them with market penetration and development. The non-current portion is included under the item "Other non-current financial assets". At the same time, the current portion is reported under "Other current financial assets".
- Trade receivables: Financial receivables without a significant financing component from revenue and earnings recognition are reported under the item "Trade receivables".
- Cash and cash equivalents: These financial assets comprise cash on hand, checks and demand deposits.

Financial assets at fair value recognized in the income statement
Financial assets at fair value recognized in the income statement include financial assets held for trading, financial assets designated upon initial recognition at fair value recognized in the income statement, or financial assets mandatorily required to be designated at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and designated at fair value recognized in the income statement, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value recognized in the income statement on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value recognized in the income statement are carried in the financial statement at fair value with net changes in fair value recognized in the income statement.

This category includes derivative instruments and listed and non-listed equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. The Group has the following significant financial assets and liabilities, which are designated at fair value recognized in the income statement:

- Derivatives not treated according to hedge accounting criteria: The Group uses currency swaps to hedge the currency risk from loans issued internally between Group companies. The currency effects from the recognition of intra-Group foreign currency loans in the balance sheet are recognized in the financial result. The measurement of the derivatives used at fair value through the income statement means that these valuation results are also recognized in the financial result. Depending on the market value, the derivatives are reported in the balance sheet either under "Other current financial assets" or under "Other current financial liabilities".
- Minority shareholding in Austria: Disclosure of shares in a non-listed company in the amount of EUR 2.5 million (2019: EUR 2.6 million). The purpose of this company is to invest in innovative startups with the aim of gaining access to new technologies. For more on classification, refer to the information under "Changes to accounting and valuation methods".

Financial assets designated at fair value through other comprehensive income (equity instruments)
Upon initial recognition, the Group can elect to irrevocably classify equity investments it holds in other companies as equity instruments designated at fair value through other comprehensive income if they meet the definition of equity under IAS 32, "Financial Instruments: Presentation", and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the income statement. Dividends are recognized as other income in the income statement when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

The Group elected to classify listed equity investments irrevocably under this category.

The Group has the following significant financial assets, which are designated at fair value through other comprehensive income:

- Investments in pension funds: The Group holds investments in pension funds to secure the pension claims of former Executive Board members. These are not defined as plan assets in accordance with IAS 19 and are not netted against pension provisions. The pension fund investments are reported under "Other non-current financial assets".
- Minority shareholding in North America: In fiscal 2019, the Group has purchased a minority stake corresponding to 5.4 percent of the share rights in a company in North America. These shares were sold during fiscal 2021, generating proceeds in the amount of EUR 8.6 million.

Derecognition
Within the Group, receivables are sold individually or bundled for financing purposes. A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Group's Consolidated Financial Statements) when:

- The rights to receive cash flows from the asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards associated with the asset, or (b) the Group has transferred or retained substantially none of the risks and rewards associated with the asset, but has transferred control of the asset.

If the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates whether and – if so – to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all of the risks and rewards associated with the asset, nor transferred control over the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are evaluated in due consideration of the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. The Group's remaining involvement with regard to the receivable after derecognition is reported under "Other non-current financial assets" / "Other current financial assets" and the associated liability under "Short-term (long-term) liabilities to financial institutions" / "Other current (non-current) financial liabilities".

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value recognized in the income statement. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognized in three stages according to the requirements of IFRS 9.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, a loss allowance is provided for ECLs that result from default events that are possible within the next twelve months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Expenses arising from the allowance for ECLs are allocated to sales and service expenses.

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience with trade receivables, adjusted for forward-looking factors specific to the debtors and the economic environment to the extent warranted by the current economic outlook or other macroeconomic factors. Alongside trade receivables, the Group recognizes lifetime ECLs based on a simplified approach for the following financial assets:

- Receivables (extended payment terms) from dealers
- Receivables from finance leases as a lessor

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. This reasonable expectation exists for the Group in the event that the customer files for insolvency.

(b) Financial liabilities

Financial liabilities are classified at initial recognition at amortized cost or at fair value recognized in the income statement. All financial liabilities are recognized initially at fair value. In the case of financial liabilities designated at amortized cost, directly attributable transaction costs are deducted upon initial recognition.

The Group's financial liabilities include trade and other payables, liabilities to financial institutions (including loans and overdrafts), and derivative financial instruments.

Financial liabilities at fair value recognized in the income statement include derivative financial instruments entered into by the Group that are not designated as hedge instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognized in the income statement.

The Group uses currency swaps to hedge the currency risk from loans issued internally between Group companies. The currency effects from the recognition of intra-Group foreign currency loans in the balance sheet are recognized in the financial result. The measurement of the derivatives used at fair value through the income statement means that these valuation results are also recognized in the financial result. Depending on the market value, the derivatives are reported in the balance sheet either under "Other current financial assets" or under "Other current financial liabilities".

After initial recognition, liabilities to financial institutions (from loans and overdrafts) are subsequently designated at amortized cost using the EIR method.

Derecognition

A financial liability is derecognized when the obligation underlying the liability is discharged or canceled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the income statement.

(c) Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks, interest rate risks and commodity price risks. Such derivative financial instruments are initially recognized at fair value at the date on which a derivative contract is entered into and are subsequently redesignated at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. These kinds of financial transactions are concluded centrally and always have a corresponding underlying transaction.

Within the framework of the Group's risk management strategy and initiatives, various derivatives are used for the economic hedging of risks.

Derivative financial instruments that are not included in hedge accounting are designated at fair value recognized in the income statement. This relates exclusively to the currency swaps used to hedge the currency risk from loans issued internally between Group companies. There is no designation within a hedging relationship, as the underlying transactions are eliminated as part of consolidation procedures and only the earnings effect from the foreign exchange valuation remains in the consolidated earnings. The valuation result of the foreign exchange swaps is then also reported in the financial result and netted against the result from the foreign exchange valuation of the loans issued between the Group companies.

In addition, the Group uses forward exchange contracts to hedge planned internal purchases of goods. These are formally classified as hedges (hedge accounting) on inception of the foreign exchange forward transaction with the corresponding underlying transaction. In applying IFRS 9 for the first time, the Group exercised the accounting option to continue to account for hedge relationships in accordance with IAS 39 instead of the hedge accounting rules set out in section 6 of IFRS 9.

The hedge accounting requirements according to IAS 39 are met in these cases. In addition, the Group verifies the effectiveness of the hedge at its inception and also thereafter on a continual basis. The foreign exchange forwards utilized by the Group within the framework of its risk management strategy are recognized as cash flow hedges, whereby the effective portion from changes in fair value is reported under other comprehensive income. The hedge-ineffective portion is directly recognized in the consolidated income statement. After the underlying transaction has taken place, the valuation results to date recognized through other comprehensive income are allocated to inventories and then affect the cost of sales when the corresponding products are sold in future. Starting from the date of the underlying transaction, these derivatives are also treated as separate and any further revaluations are recognized in the income statement, netted against the foreign exchange valuation of the Group-internal liability resulting from the originally hedged transaction.

In addition, the Group entered into a payer swap contract in the United States due to the partially floating rate on promissory notes (Schuldschein). That swap contract is designated as a hedging instrument under a cash flow hedge with the floating rate part of the promissory note (Schuldschein). The effective portion of changes in the fair value of the hedging instrument is now recognized under other comprehensive income. Recycling takes place periodically by netting the interest payments from the swap and the promissory note (Schuldschein).

Research and development
Research costs are expensed as incurred. Development expenditures on an individual project are only capitalized as an intangible asset when the Group can demonstrate compliance with the following six criteria in IAS 38:

- The technical feasibility of completing the intangible asset so that the asset will be available for internal use or sale
- Its intention to complete the intangible asset
- Its ability and intention to use or sell the intangible asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to reliably measure the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an intangible asset, the asset is carried at cost net of accumulated straight-line amortization and accumulated impairment losses, if any. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the development period, impairment indicators are tested annually and, if applicable, an impairment test is performed.

In addition, the Group tests intangible assets not yet ready for use for impairment every year. When testing property, plant and equipment and other intangible assets for impairment, determining the recoverable amount of the assets involves the use of estimates.

The Group views the COVID-19 pandemic and its ramifications as a triggering event requiring an impairment test on capitalized development projects in accordance with IAS 36. Refer to item 10, “Intangible assets”, in these Notes for further information.

Other non-financial assets
Other non-financial assets are principally recognized at their nominal values. Allowances are recognized in the full amount for other assets for which there is a high probability of default.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, checks and demand deposits. They belong to the “Financial assets designated at amortized cost” category and have original maturities of three months or less. Cash and cash equivalents are converted to the nominal value in the Group’s currency. In the case of liquid funds, this corresponds to the fair value. Since cash and cash equivalents are only held with major international banks with good ratings, the Group considers the need to “calculate” potential losses to be negligible and of minor importance for the Group.

Government grants
Government grants are only recognized if there is reasonable assurance that the relevant criteria are fulfilled and the funding will be approved. Grants for the acquisition of non-current assets are recognized by reducing the book value of the asset. The grant is then recognized as income through a reduced write-down value over the duration of the depreciable asset’s useful life. If the Group receives government grants for costs, these are recognized over the period when the costs arise for which they are intended to compensate. The government compensation payments received are netted against the corresponding expenses for which the compensation was paid. If the government grants were not awarded directly for expenses incurred, they are reported under other income.

Pensions and similar obligations
The Group holds defined benefit pension plans, primarily in Germany and Switzerland. Contributions are made to a separately managed fund for these. There are also other pension plans in the USA and Austria, most of which are defined benefit schemes. Provisions for pensions and similar obligations from defined benefit plans are recognized following the projected unit credit method, taking into consideration future adjustments to remuneration payments and pensions in compliance with IAS 19. Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability, and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the financial statement with a corresponding debit or credit to retained earnings through other income in the period in which they occur. Remeasurements may not be reclassified to the income statement in subsequent periods.

Unvested past service costs are recognized in the income statement at the earlier of the following points in time:

- The time at which the adjustment or curtailment of the plan takes effect
- The time at which the Group recognizes any costs related to the restructuring

Pension obligations in Germany are calculated using the demographic tables for 2018 G developed by Prof. Klaus Heubeck, taking biometric actuarial assumptions into account. Pension obligations abroad are calculated using accounting principles and parameters specific to the corresponding country.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the defined benefit obligation in the income statement, mainly under administrative and sales and service expenses (by function):

- Service costs, comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

Service costs for vested rights to future pension payments result from the changes in the present value of the obligation. The net interest is recognized in the financial result. Payments under defined contribution benefit plans are recognized directly as an expense.

Other provisions
Other provisions are recognized in accordance with IAS 37 when the Group has a present legal or constructive obligation as a result of a past event, which will probably result in an outflow of resources with economic benefits, the amount of which can be reliably estimated. Other provisions include allowances for all identifiable obligations. Valuation is based on estimations of the expected settlement amount on due consideration of all business circumstances. Provisions that are only due after one year and for which the payment amounts and due dates can be reliably estimated are measured at discounted present value. Provisions for assurance-type warranties are calculated on the basis of historical values, warranty lifetimes and product volumes. For the treatment of extended service-type warranties, refer to the above “Warranty obligations” subsection in the “Revenue and earnings recognition” section.

Other provisions are made for all identifiable risks as well as for all contingent liabilities in the amount that is expected to be incurred.

Taxes on income
Deferred and current tax is calculated in line with IAS 12.

Deferred tax assets and liabilities are recognized for temporary differences between carrying amounts and corresponding tax bases, for consolidation transactions recognized in the income statement and for tax loss carry-forwards.

Deferred tax assets on tax loss carry-forwards are only recognized if the associated reductions in tax are likely to become effective in the next five years (maximum) and can be applied in subsequent periods. Deferred tax was recognized for loss carry-forwards in the year under review.

Deferred tax is calculated at the tax rate applicable to the company in question that is valid or approved at the balance sheet date and which will then be valid when the reversal effects will probably be applied.

Changes to deferred tax in the balance sheet generally result in deferred tax expense or income. If any movements that necessitate a change in deferred tax are charged directly to equity, the resulting change to deferred tax is also recognized directly in equity.

Current taxes are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of current taxes is based on the tax rates and tax laws applicable in the respective countries on the balance sheet date.

Share-based payments
Cash-settled share-based payments are measured at the fair value of the equity instrument or liability. The liability is recognized in other (long-term) provisions until settlement. Changes in fair value over time are recognized in the income statement.

Material discretionary decisions, estimates and assumptions

In preparing the Consolidated Financial Statements, it has been necessary to make estimates and assumptions which may influence the carrying amounts of assets and liabilities, income and expenses as well as contingent liabilities as recognized on the balance sheet. The following significant estimates and assumptions, together with the uncertainties associated with the general accounting and valuation methods applied, are crucial in understanding the risks underlying financial reporting and the impact these estimates, assumptions and uncertainties could have on the Consolidated Financial Statements:

(a) Material discretionary decisions
Development costs
The Group capitalizes the costs of product development projects and IT projects for process optimization in the various organizational areas, e.g. production, logistics, etc. Initial capitalization of costs is based on management’s judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash flows generated by the project, discount rates to be applied and the expected period of benefits.

Determining the term of leases with extension or termination options – the Group as a lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain that the Group will exercise this option, or any periods covered by an option to terminate the lease if it is reasonably certain that the Group will not exercise this option.

The Group has concluded several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not it will exercise the option to renew or terminate the lease. That means that it considers all relevant factors that create an economic incentive for the Group to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate (e.g. construction of significant leasehold improvements or significant customization of the leased asset).

Many lease contracts, especially for real estate, include renewal and termination options. Renewal options for real-estate leases are generally for periods of two to five years. These types of contractual conditions provide the Group with maximum operational flexibility with regard to its existing contracts. The existing renewal and termination options can only be exercised by the Group, not by the lessor.

The Group has included extension periods in the lease term for rented branch offices and warehouses because this kind of real estate is of major importance to its business activities. These rental contracts have relatively short, non-cancellable remaining terms (one to three years) and a significant negative impact on business operations would be expected if the Group were unable to use alternative options. Existing renewal options for contracts with longer terms were not exercised as these were classified as not yet reasonably certain. Twice a year, renewal options are reviewed to establish whether the option has been exercised in advance on rental contracts with longer terms. Renewal options for vehicle leases are not included in the leases as these are only very short term (up to three months) and are only exercised if the replacement vehicle has not yet been delivered.

For details on the possible future lease payments for periods after the exercise date for renewal and termination options which are not considered in the term of the lease, refer to item 26 in these Notes.

Assessment on incorporating a minority shareholding in North America into the consolidation structure

In fiscal 2021, the Group sold a minority shareholding in a company in North America, corresponding to 5.4 percent of the company's share rights. The remaining 94.6 percent was held by the four founders, who made all the financial and business decisions required to run the associated company jointly and independently of the Group. The Group held one of the five member seats on the supervisory committee until November 10, 2020; thereafter only holding a guest seat. Through this involvement in the supervisory committee, it was informed of current business developments in good time. However, the Group did not have veto or minority rights vis-à-vis the four founders that would have enabled it to exert any influence over important business transactions. Based on the prevailing situation and a wider view of all circumstances, the Group did not have any significant influence. Similarly, the Group did not have any control in accordance with IFRS 10. This shareholding was reported under the balance sheet item "Investments" measured at fair value through other comprehensive income.

Assets held for sale

As part of its program to reduce costs and increase efficiency, which involves streamlining sales structures, the Group has classified various properties in Norway and South America, among others, as assets held for sale. Management considered that the properties met the criteria to be classified as held for sale in accordance with IFRS 5.

(b) Estimates and assumptions

Indications for impairment of tangible and intangible assets and development costs (impairment tests specific to events or circumstances)

At each closing date, the Group determines whether there are any grounds to assume that the book value of a tangible asset or an item under other intangible assets has been impaired. The Group views the COVID-19 pandemic and its ramifications as a triggering event requiring an impairment test on capitalized development projects in accordance with IAS 36. In fiscal 2020, the Group identified grounds for significant impairment of intangible assets and an impairment loss was recognized. Refer to item 10, "Intangible assets", in these Notes for further details.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the financial statement cannot be measured based on quoted prices in active markets, they are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a high degree of judgment on the part of management is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The fair value of pension funds measured at fair value through other comprehensive income is derived from quoted prices on active markets. The investments in pension funds are reported in the "Investments" balance sheet line.

The Group has minority shareholdings in the form of non-listed shares, which are allocated to Level 3 of the fair value hierarchy. Level 3 involves a valuation technique for which the lowest-level input that is significant to the fair value measurement as a whole is not observable on the market.

The fair values in Level 3 were determined using the discounted cash flow method. The valuation requires internal management to make certain assumptions regarding inputs to the model, including forecast cash flows, the discount rate, the default risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in internal management's estimate of fair value for these non-listed equity investments. The investments were revalued in the current fiscal year due to changed inputs, resulting in a devaluation. Refer to item 29, "Additional information on financial instruments", in these Notes for further details.

Taxes on income and earnings

At each closing date, the Group determines whether the probability of future tax benefits is sufficient to justify deferred tax assets. The recognized deferred tax assets may be lower if the estimates regarding scheduled taxable income and the tax benefits realizable through available tax strategies are reduced, or should changes to current tax legislation restrict the time frame or feasibility of future tax benefits. Due to the effects of the COVID-19 pandemic, previous estimates and assumptions regarding planned tax results may change or are subject to significant risk. In fiscal 2021, the Group did not identify or recognize any further grounds for significant impairment of deferred tax assets in comparison with the previous year. Refer to item 6, "Taxes on income", in these Notes for further details.

Tax items are calculated in line with local tax laws as applicable and the relevant administrative practices. Due to their complexity, they may be subject to differences in interpretation by tax-paying entities on the one hand, and by local fiscal authorities on the other. Different interpretations of tax laws may lead to retrospective tax payments for previous years; these are taken into consideration based on estimates made by the Group in accordance with IFRIC 23.

Value of goodwill and assets with an indefinite useful life (at least one impairment test per year)

The Group carries out an impairment test on goodwill, intangible assets of indefinite useful life and capitalized development costs at least once per year, or several times within the year if there is any indication that an asset has been impaired. This involves making estimates regarding the forecast and discounting of future cash flows.

For the cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria), a detailed calculation was taken as a basis for the impairment test performed on December 31, 2021. In the last review, the detailed analysis showed that the recoverable amount significantly exceeds the carrying amount of the respective unit. Taking into account the sensitivity analysis, no indication of a need to recognize impairment losses was identified under the circumstances, as the recoverable amount also significantly exceeds the carrying amount in the worst-case scenario.

Due to the impact of the COVID-19 pandemic, previous estimates and assumptions for the parameters used in the impairment test may change or are subject to significant risk. Refer to item 10, “Intangible assets”, in these Notes for further information on the calculation of impairment, the assumptions indicating impairment and the sensitivity of these assumptions.

Employee benefits

Pensions and similar obligations are calculated in accordance with actuarial valuations. These valuations are based on a number of factors including statistical values in order to anticipate future events. These factors include actuarial assumptions such as the discount rate, expected salary increases and mortality rates. These actuarial assumptions can deviate considerably from the actual obligations as a result of changed market and economic conditions, resulting in a change to the associated future commitment.

Refer to item 19, “Provisions for pensions and similar obligations”, in these Notes for further details on this and the sensitivity of observations.

Legal risks

Legal risks result from legal action against Wacker Neuson SE or individual Group members. The outcome of these disputes could have a substantial impact on Group assets, financials and profit. Company management regularly analyzes the current information available about these cases and builds provisions to cover probable obligations. Assessments are performed by internal and external experts and lawyers. When reaching a decision on the need to recognize provisions, company management takes sufficient account of the probability of an unfavorable outcome and takes due care to estimate the amount of the obligation sufficiently reliably. Refer to item 28, “Other financial liabilities”, in these Notes for further information.

Deferred revenue from volume bonuses

The Group’s expected volume bonuses are estimated for contracts with a single minimum purchase quantity on a customer-specific basis. The assessment as to whether a customer is likely to qualify for a rebate depends on their historical rebate entitlements and the purchase pattern to date. Any significant changes from historical purchase patterns or historical rebate entitlements will affect the Group’s estimated expected rebate percentages. The Group updates its estimate of expected volume bonuses once a year.

The fiscal 2021 impairment test resulted in the recognition of an impairment loss in the amount of EUR 1.1 million at the 2021 closing date (2020: EUR 13.0 million). This change relative to the prior-year figure was largely attributable to the sale of a minority shareholding in a company in North America and the pre-term receipt of non-current receivables. The impact of the COVID-19 pandemic in the US and the associated estimation uncertainty resulted in a significant change in previous assumptions underlying the impairment test in fiscal 2020. Refer to item 11, “Other non-current assets”, in these Notes for further information.

ECL allowances for financial assets

The fiscal 2021 impairment test resulted in the recognition of a positive effect in the amount of EUR 13.5 million at the 2021 closing date (2020: impairment loss of EUR 33.3 million). During the previous year, the COVID-19 pandemic had a significant impact on the business situation of some Wacker Neuson Group customers, thus creating additional uncertainty in relation to ECL allowances. The change in allowances relative to the prior-year figure was largely attributable to the sale of a minority shareholding in a company in North America and the pre-term receipt of non-current receivables from US dealers (refer to item 11 in these Notes for more information).

The Group generally uses a provision matrix to calculate ECLs for selected financial assets. These financial assets mainly comprise:

- Trade receivables
- Receivables (extended payment terms) from dealers
- Receivables from prepaid volume bonuses
- Receivables from finance leases as a lessor

The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by criteria such as geography, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The provision matrix is based on the Group’s historical observed default rates. The Group then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (such as gross domestic product) are expected to deteriorate over the next year, potentially resulting in an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

For receivables (extended payment terms) from dealers, historical default rates are applied as the first step. In the second step, this empirical risk provision is adjusted for specific forward-looking factors such as country risk, bulk risk and collateral provided. For this purpose, the Group uses probabilities of default available on the market for companies in specific industries and compares these with the historical analyses. If there are significant changes over time, the historical analyses are adjusted to reflect this forward-looking information. The COVID-19 pandemic may have a material impact on default rates for receivables. Refer to item 14, “Trade receivables”, in these Notes for details on value adjustments. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs constitutes a significant estimate. This estimate was adjusted in the current fiscal year as a result of partial higher expected default rates. The amount of ECLs is sensitive to changes in circumstances and in forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customers’ actual default patterns in the future, despite constant validation and adjustment.

Leases – estimate of the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease. As a result, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the interest rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR thus reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Transfer of financial assets
Within the Group, receivables are sold individually or bundled for financing purposes. This is achieved via factoring or within the framework of asset-backed transactions. In connection with the derecognition of these sold receivables, estimates or discretionary judgments were applied in the following cases in particular:

- The extent to which the risks and rewards incidental to ownership of receivables have been transferred substantially to the transferee or have been retained by the transferor was ascertained by comparing exposure before and after the transfer, taking into account exposure to variability in the amounts and timing of the future net cash flows from the transferred asset. In this connection, the present value of the future net cash flows from the receivables had to be determined for various states and substantiated with their probability of occurrence.

- If all the risks and rewards have been neither retained nor transferred substantially, the receivables may be (partially) recognized as per the continuing involvement approach or completely derecognized depending on whether control of the transferred receivables has been transferred or retained. This involved assessing in particular whether the transferee has the right by contract and the practical ability to sell or pledge the purchased receivables in their entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this connection, assessment of the concrete impact of individual contractual provisions in particular was subject to discretionary judgments.

Value adjustment for spare parts
Assumptions and estimates are also required when determining whether spare parts inventories have been impaired. Deployment of a new IT solution in the Group's spare parts department enables spare parts to be classified into more detailed categories (ABC parts). These clusters provide the basis for the impairment test.

Explanatory comments on the income statement

1 – Revenue

The following table shows revenue generated by the company from contracts with customers and other revenue sources according to product group and site:

IN € MILLION

	2021	2020
Geographical segments		
Europe	1,477.5	1,289.7
Americas	328.6	270.4
Asia-Pacific	60.1	55.4
Total revenue	**1,866.2**	**1,615.5**
Business segments		
Light equipment	399.1	351.8
Compact equipment	1,063.0	878.9
Services	415.2	399.0
Less cash discounts	-11.1	-14.2
Total revenue	**1,866.2**	**1,615.5**
Source of revenue:		
Revenue generated from contracts with customers	1,677.3	1,427.9
Other revenue	188.9	187.6
Total revenue	**1,866.2**	**1,615.5**

Other revenue (source) mainly includes revenue from flexible rental solutions for machines and accessories in accordance with IFRS 16 as well as revenue from dealer financing in accordance with IFRS 9.

Revenue from services (business segment) includes revenue from flexible rental solutions for equipment and accessories in the amount of EUR 183.8 million (previous year: EUR 181.2 million). The rental period is typically short term, averaging approximately 17 days (previous year: 17 days). Revenue from dealer financing was reported at EUR 5.2 million (previous year: EUR 6.3 million).

Further information within the framework of IFRS 15 is provided in the relevant notes on the items concerned.

2 – Other income

IN € MILLION

	2021	2020
Income from the sale of scrap	2.1	0.9
Offsetting of non-cash benefits	1.9	2.1
Rental income on investment properties	1.9	2.0
Proceeds from sale of property, plant and equipment and assets held for sale	1.7	4.0
Government grant	1.7	1.8
Insurance reimbursements	1.1	1.0
Compensation from a cooperation agreement	–	2.3
Income from a change in the consolidation group	–	1.2
Carry-forwards	0.3	0.5
Other income	1.9	2.8
Total	**12.6**	**18.6**

In the previous year, the proceeds from the sale of property, plant and equipment and non-current assets held for sale included positive earnings in the amount of EUR 1.1 million (2021: EUR 0.0 million), due among other things to the sale of land in Serbia not required for operational reasons. In addition, as part of the program aimed at reducing costs and increasing efficiency, a piece of real estate in Norway was sold in the previous year at a profit of EUR 1.5 million (2021: EUR 0.0 million).

“Wacker Neuson ApS” in Denmark was disposed of in the previous year (2021: EUR 0.0 million) as income from a change in the consolidation group in the amount of EUR 1.2 million.

3 – Personnel expenses

Personnel expenses comprise the following:

IN € MILLION

	2021	2020
Wages and salaries	309.3	288.6
Social security contributions	69.7	67.2
Expenses for pensions	6.3	7.7
Total	**385.3**	**363.5**

The expenses for pensions include the expense for pension benefits without the interest portion of the additions to provisions for pensions, which is recognized in the financial result.

Wages and salaries include expenses for redundancy payments to the following extent:

IN € MILLION	2021	2020
Redundancy payments	2.6	8.5

EUR 0.8 million (2020: EUR 0.7 million) of this is attributable to provisions for redundancy payments required by law for the sites in Austria.

The redundancy payments in 2020 resulted primarily from a restructuring measure in the amount of EUR 2.6 million (2021: EUR 0.0 million) attributable to the logistics center in Karlsfeld (Germany). In addition, restructuring costs in the North-American plant in Menomonee Falls resulted in redundancy payments of EUR 1.7 million (2021: EUR 0.0 million) being recognized in the income statement in the previous year. Redundancy payments for the previous year also include an amount in the sum of EUR 1.0 million (2021: EUR 0.0 million) due to a change in the Executive Board.

The functional costs include the following personnel expenses:

- Cost of sales: EUR 166.6 million (2020: EUR 148.4 million).
- Sales and service expenses: EUR 120.2 million (2020: EUR 119.7 million).
- Research and development costs: EUR 46.0 million (2020: EUR 41.9 million).
- General and administrative expenses: EUR 52.5 million (2020: EUR 53.4 million).

As part of COVID-19 support programs available on a country-/state-specific basis, the Group received a total of EUR 0.0 million (2020: EUR 4.1 million) in social contribution subsidies in fiscal 2021. These were netted against the respective expenses, as follows:

- Cost of sales: EUR 0.0 million (2020: EUR 2.1 million).
- Sales and service expenses: EUR 0.0 million (2020: EUR 0.7 million).
- Research and development costs: EUR 0.0 million (2020: EUR 0.7 million).
- General and administrative expenses: EUR 0.0 million (2020: EUR 0.6 million).

State subsidies for social contributions were received in the form of payments for short-time work models in Germany and Austria, and on the basis of similar programs in other countries.

The average number of employees broken down according to fields of activity is as follows for the period under review (not including staff employed under leasing contracts):

	2021	2020
Production	2,840	2,701
Sales and service	1,431	1,505
Research and development	529	505
Administration	513	559
Total	**5,313**	**5,270**

4 – Other operating expenses

IN € MILLION	2021	2020
Impairment of land	1.7	–
Losses on the disposal of property, plant and equipment	1.6	1.2
Impairment on goodwill	–	9.2
Other expenses	0.9	1.4
Total	**4.2**	**11.8**

Falling real-estate prices provided grounds for the identification of an impairment loss on a real-estate holding in Russia. Government support for foreign investors has led to a collapse in real-estate prices in the surrounding region. An impairment loss in the amount of EUR 1.7 million was recognized under other operating expenses. This impairment loss is reported under the Europe segment. The book value of EUR 0.9 million as at December 31, 2021 (2020: EUR 2.6 million) corresponds to the estimated value realizable in the event of a future sale.

Other operating expenses for the previous year include a goodwill impairment in the amount of EUR 9.2 million (2021: EUR 0.0 million) attributable to the US subgroup. Refer to item 10, “Intangible assets”, in these Notes for further information.

5 – Financial result

a) Financial income

IN € MILLION	2021	2020
Interest and similar income	1.0	1.8
Foreign exchange gains	9.2	–
Income from foreign exchange contracts	1.2	7.4
Adjustment of fair value for minority shareholding	1.1	–
Total	**12.5**	**9.2**

The Group enters into external swap agreements to counter-finance foreign currency loans extended internally. The results of this included income in the amount of EUR 1.2 million in the period under review (2020: EUR 7.4 million). This is offset by expenses in the amount of EUR 0.3 million (2020: EUR 4.6 million) from internal foreign currency loans, which are hedged as the transaction underlying the swaps in line with the Group’s risk management strategy. These hedged foreign exchange losses in the amount of EUR 0.3 million (2020: EUR 4.6 million) are included in net foreign exchange gains (2020: foreign exchange losses) under financial income (2020: financial expenses).

b) Financial expenses

IN € MILLION

	2021	2020
Interest and similar expense	10.6	12.5
Foreign exchange losses	–	13.9
Expenses from foreign exchange contracts	7.5	4.2
Impairment minority shareholding	–	0.3
Total	**18.1**	**30.9**

Interest and similar income was netted against interest and similar expenses in the amount of EUR 0.5 million (2020: EUR 1.2 million) in the reporting year. Refer to item 16, “Cash and cash equivalents”, in these Notes for further information.

The Group enters into external swap agreements to counter-finance foreign currency loans extended internally. The results of this included an expense in the amount of EUR 7.5 million in the period under review (2020: EUR 4.2 million). This is offset by income in the amount of EUR 5.7 million (2020: EUR 1.5 million) from internal foreign currency loans, which are hedged as the transaction underlying the swaps in line with the Group’s risk management strategy. These hedged foreign exchange gains in the amount of EUR 5.7 million (2020: EUR 1.5 million) are included in net foreign exchange gains (2020: foreign exchange losses) under financial income (2020: financial expense).

6 – Taxes on income

Expense for taxes on income comprises the following:

IN € MILLION

	2021	2020
Current tax expense	45.5	23.1
Deferred tax expense	4.0	16.6
Total	**49.5**	**39.7**

Actual taxes include adjustments of EUR 0.8 million as expenses (2020: EUR 3.3 million income) for previous fiscal years.

In determining deferred taxes, a corporation tax rate of 15 percent and a solidarity surcharge of 5.5 percent were taken into account for domestic companies. Trade taxes were also taken into account at the relevant trade tax rate. In the case of foreign companies, the applicable or expected tax rates were used for each calculation.

Deferred income tax from items reported under other comprehensive income during the year under review:

IN € MILLION

	2021	2020
Other comprehensive income to be recognized in the income statement in subsequent periods		
Cash flow hedges	-0.4	-0.1
Total	**-0.4**	**-0.1**
Other comprehensive income not to be recognized in the income statement in subsequent periods		
Reclassification from defined pension commitments	-2.0	1.1
Total	**-2.0**	**1.1**
Total	**-2.4**	**1.0**

Reconciliation of calculated tax to actual tax expense:

IN € MILLION

	2021	2020
EBT	187.4	53.8
Tax at the applicable rate: 28.96%	54.3	15.5
(previous year: 28.82%)		
Variance in Group tax rates	-4.4	0.4
Adjustments to actual income taxes paid in earlier years	0.8	-3.3
Tax effects of non-deductible expenses and tax-exempt income	5.8	2.5
Tax rate changes	0.1	-0.3
Tax effects of deferred tax assets arising from losses carried forward	-1.7	15.9
Impairment on deferred tax assets	-5.0	7.0
Other	-0.4	2.0
Total	**49.5**	**39.7**

Taxes on income are calculated by applying the Group’s uniform tax rate of 28.96 percent (2020: 28.82 percent) to earnings before taxes.

The item “Tax effects of non-deductible expenses and tax-exempt income” includes, among other things, the tax burden on dividend income. As dividends were paid out this year, this item is higher than in the previous year. It should be noted here that internal Group dividends are eliminated. However, the tax burden on dividend income is included in tax expenditure.

Deferred tax assets and liabilities are allocated to the following balance sheet items:

IN € MILLION

	2021 Deferred tax assets	2021 Deferred tax liabilities	2020 Deferred tax assets	2020 Deferred tax liabilities
Recognition and valuation differences: intangible assets	–	47.5	–	44.4
Valuation differences: tangible assets and rental	17.9	15.3	14.2	15.3
Valuation differences: inventories	9.6	3.2	10.8	3.4
Valuation differences: receivables	7.2	0.3	7.6	0.2
Valuation differences: IFRS 16	1.3	–	1.4	–
Valuation differences: provisions for pensions	10.2	3.4	12.5	3.1
Valuation differences: liabilities	6.1	1.3	5.4	1.1
Loss carry-forwards	0.6	–	1.6	–
Other	5.7	8.0	8.1	8.6
Total	**58.6**	**79.0**	**61.6**	**76.1**
Net	**-29.2**	**-29.2**	**-32.2**	**-32.2**
Balance sheet item	**29.4**	**49.8**	**29.4**	**43.9**

Deferred tax recognized in the consolidated balance sheet aligns with the deferred tax recognized in the balance sheets of individual Group companies. Deferred tax assets and liabilities were netted at the level of the individual company as appropriate.

Deferred tax liabilities for intangible assets mainly result from the recognition of brand value in conjunction with the acquisition of Weidemann and Neuson Kramer.

Rental equipment and inventories include deferred taxes resulting from the evaluation of rental equipment and inventories at Group cost of goods manufactured.

Unused tax losses for which no deferred tax receivable was recognized in the balance sheet amount to EUR 72.3 million (2020: EUR 84.3 million). This includes unused tax interest carry-forwards from the US company in the amount of EUR 10.0 million (2020: EUR 8.9 million). Unused tax loss carry-forwards in the amount of EUR 21.7 million are attributed to the Americas segment, where they can be carried forward for a period of up to three years. A further EUR 7.2 million in unused tax loss carry-forwards are recognized for the Asia-Pacific segment, where they can be carried forward for a period of five years. All other loss carry-forwards can be carried forward for an unlimited period of time. Non-recognition of tax losses is due, on the one hand, to the fact that the affiliates do not have sufficient deferred tax liabilities and, on the other, to the fact that the larger share of the tax losses is attributable to affiliates in South America and Scandinavian countries due to be liquidated as planned during the next three years as part of the company's program to reduce costs and increase efficiency.

With respect to deferred tax assets, EUR 0.6 million (2020: EUR 1.6 million) are allocable to individual companies which incurred losses in the current or prior reporting period. The reason for the capitalization is attributable to signs of an improvement in the earnings situation in coming years, which is to be expected as a result of appropriate management measures. Therefore it can be assumed that the companies will achieve taxable earnings in the future. Deferred tax effects of tax loss carry-forwards were also recognized for companies with a loss history to the extent that the losses reported are attributable to one-off effects in the respective companies. In such cases, management assumes that the causes of the losses have been resolved and the company in question will be posting positive earnings in the future. In response to the ongoing COVID-19 pandemic and in due consideration of the drop in estimated planned tax income, the Group assessed and evaluated whether the realization of future tax benefits is sufficiently probable to recognize deferred tax assets. An impairment need was identified for deferred tax assets on loss carry-forwards in the amount of EUR 0.3 million. This adjustment was recognized in the income statement. In the previous year, the deferred tax expense as a result of a drop in deferred tax receivables recognized from previous years amounted to EUR 4.3 million. In addition, no deferred taxes in the amount of EUR 3.5 million (2020: EUR 11.5 million) were recognized for losses reported in 2021 as it is not assumed that taxable profit will be available within the next five years against which these tax loss carry-forwards can be utilized or because the company in question has a history of losses. Impairment on deferred tax assets relating to temporary differences from previous years has once again been reversed in the amount of EUR 5.0 million as these tax losses became recoverable in 2021 due to future taxable profit.

Deferred taxes from pension obligations in the amount of EUR 9.7 million (2020: EUR 11.7 million) and from cash flow hedges in the amount of EUR 0.6 million (2020: EUR 0.2 million) were recognized directly in equity. All other deferred tax was recognized in the income statement.

Deferred taxes on undistributed profits of affiliates were recognized only if distribution is planned based on the Group's internal regulations. Deferred tax liabilities of EUR 1.1 million (2020: EUR 0.9 million) were recognized on this. The amount available for distribution is EUR 109.8 million (2020: EUR 90.5 million).

7 – Earnings per share

	2021	2020
Earnings of the current year attributable to shareholders in € million	137.9	14.1
Weighted average number of shares outstanding during current period	69.20	70.14
Undiluted earnings per share in €	**1.99**	**0.20**
Diluted earnings per share in €	**1.99**	**0.20**

According to IAS 33, earnings per share are calculated by dividing the total profit/loss for the year attributable to Wacker Neuson SE shareholders by the weighted average number of shares issued.

The 2021 share buyback program began in April and was successfully concluded in November 2021. The share buyback program has an impact on earnings per share. The calculation of undiluted earnings per share is based on the weighted average number of shares in circulation during the period. Shares repurchased during the period are only considered to be in circulation up until the point in time when they are bought back and are weighted accordingly. After buyback, treasury shares are not included in the calculation of shares considered to be in circulation. An adjustment of prior-year figures is not planned in this regard. For the period from January 1 through December 31, 2021, earnings per share were calculated on the basis of a weighted average number of shares in circulation in the amount of 69,154,959. For the period from January 1 through December 31, 2020, earnings per share were calculated on the basis of an average number of shares in circulation of 70,140,000.

Explanatory comments on the balance sheet

8 – Property, plant and equipment

a) Property, plant and equipment including right-of-use lease assets

DEVELOPMENT OF PROPERTY, PLANT AND EQUIPMENT

IN € MILLION

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/Assets under construction	Total
Acquisition costs					
Balance at January 1, 2021	406.4	129.2	131.5	32.3	699.4
Exchange rate differences	3.3	2.1	1.6	0.1	7.1
Additions	14.9	7.8	17.0	24.8	64.5
Disposals	-8.4	-4.7	-10.7	–	-23.8
Transfers to non-current assets held for sale and property held as financial investment	-18.9	–	–	–	-18.9
Transfers	30.6	3.0	1.1	-34.7	–
Balance at December 31, 2021	**427.9**	**137.4**	**140.5**	**22.5**	**728.3**
Accumulated depreciation					
Balance at January 1, 2021	135.0	90.9	81.8	0.1	307.8
Exchange rate differences	1.6	1.7	1.2	–	4.5
Additions	21.5	10.2	16.4	–	48.1
Impairment	1.1	–	0.2	0.5	1.8
Disposals	-4.4	-4.4	-9.0	–	-17.8
Transfers to non-current assets held for sale and property held as financial investment	-10.0	–	–	–	-10.0
Balance at December 31, 2021	**144.8**	**98.4**	**90.6**	**0.6**	**334.4**
Book value at December 31, 2020	**271.4**	**38.3**	**49.7**	**32.2**	**391.6**
Book value at December 31, 2021	**283.1**	**39.0**	**49.9**	**21.9**	**393.9**
Useful life in years	16–50	1–10	1–15		

	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account/Assets under construction	Total
Acquisition costs					
Balance at January 1, 2020	411.3	132.4	131.3	15.8	690.8
Exchange rate differences	-5.6	-2.3	-1.9	-0.2	-10.0
Change in consolidation structure	-0.9	–	-0.6	–	-1.5
Additions	18.3	8.4	14.8	28.7	70.2
Disposals	-11.9	-13.5	-11.5	–	-36.9
Transfers to non-current assets held for sale and property held as financial investment	-11.9	-0.3	-1.0	–	-13.2
Transfers	7.1	4.5	0.4	-12.0	–
Balance at December 31, 2020	**406.4**	**129.2**	**131.5**	**32.3**	**699.4**
Accumulated depreciation					
Balance at January 1, 2020	121.1	92.5	76.9	–	290.5
Exchange rate differences	-1.9	-1.7	-1.2	–	-4.8
Change in consolidation structure	-0.1	–	-0.5	–	-0.6
Additions	22.9	10.0	16.3	–	49.2
Impairment	1.5	2.8	0.8	0.1	5.2
Disposals	-4.2	-12.5	-9.7	–	-26.4
Transfers to non-current assets held for sale and property held as financial investment	-4.3	-0.2	-0.8	–	-5.3
Balance at December 31, 2020	**135.0**	**90.9**	**81.8**	**0.1**	**307.8**
Book value at December 31, 2019	**290.2**	**39.9**	**54.4**	**15.8**	**400.3**
Book value at December 31, 2020	**271.4**	**38.3**	**49.7**	**32.2**	**391.6**
Useful life in years	16 – 50	1 – 10	1 – 15		

Land is considered to have an unlimited useful life.

Total write-downs and impairment losses on property, plant and equipment, investment properties, goodwill, intangible assets and rental equipment (see item 12, “Rental”, in these Notes) reported in the Consolidated Income Statement amounted to EUR 120.6 million (2020: EUR 128.5 million).

IN € MILLION

	2021	2020
Functional lines		
Cost of sales	70.6	75.4
Sales and service expenses	22.0	23.6
Research and development expenses	7.3	3.9
General and administrative expenses	19.0	17.0
Other expenses	1.7	9.2
Total impairment losses	**120.6**	**129.1**

The EUR 7.9 million reduction in total write-downs and impairment losses to EUR 120.6 million (2020: EUR 128.5 million) primarily results from the prior-year impairment of goodwill attributed to the US subgroup in the amount of EUR 9.2 million (other expenses). Depreciation amounted to EUR 77.4 million excluding rental equipment (2020: EUR 87.6 million).

The breakdown of impairment losses (intangible assets included) by functional line and region is as follows:

IN € MILLION

	2021	2020
Functional lines		
Cost of sales	4.1	9.0
Sales and service expenses	0.6	1.6
Research and development expenses	–	0.2
General and administrative expenses	0.8	0.9
Other expenses	1.7	9.2
Total impairment losses	**7.2**	**20.9**
Regions		
Europe	6.5	4.9
Americas	0.7	12.5
Asia-Pacific	–	3.5
Total impairment losses	**7.2**	**20.9**

Given the impact of the COVID-19 pandemic and current business developments, the business prospects of all key Group entities were reviewed in line with the previous year. The impairment losses of EUR 9.2 million recognized under other expenses in the previous year comprised the impairment of goodwill attributed to the US subgroup (refer to item 10, “Intangible assets”, for details). The review of business prospects revealed a number of impairment losses in connection with intangible assets in the amount of EUR 4.7 million (2020: EUR 6.3 million). This included value adjustments primarily for capitalized product developments in the amount of EUR 4.0 million (2020: EUR 5.4 million). → See page 112

Given the high levels of uncertainty, the Executive Board re-evaluated all planned investments and – wherever possible and advisable – postponed these in order to further secure liquidity. Investments in property, plant and equipment included investments to expand production and logistics at the plants in Reichertshofen, Germany, and Kragujevac, Serbia (2020: investments to expand production and logistics at the Korbach and Pfullendorf plants in Germany). These expansion measures were the main factor in the increase in additions to down-payments / assets under construction to EUR 24.8 million (2020: EUR 28.7 million).

Reclassifications of the down-payments / assets under construction increased to EUR 34.7 million (2020: EUR 12.0 million). This increase was triggered by expansions in production and logistics at Kramer (Pfullendorf) and Weidemann (Korbach), which became operational in 2021.

In the wake of the above-mentioned expansion measures at the Reichertshofen plant, the Group intends to sell a piece of real estate in Karlsfeld (near Munich, Germany), previously required for operations, after completion of the investments. Its book value amounts to EUR 8.9 million. Due to the planned consolidation of the two sites, the Karlsfeld real estate was classified as "non-current assets held for sale” in the amount of EUR 8.9 million. → Page 118

b) Right-of-use lease assets

The following tables show the development of right-of-use lease assets, displayed by property, plant and equipment categories.

Refer to item 26, “Lease liabilities”, in these Notes for detailed information on the content of the underlying leases. We refer to this item to avoid duplicating information.

	Land and buildings	Machinery and equipment	Office and other equipment	Total
Acquisition costs				
Book value at January 1, 2021	80.1	–	28.7	108.8
Additions	11.8	0.3	6.5	18.6
Disposals	-6.8	–	-1.5	-8.3
Balance at December 31, 2021	**85.1**	**0.3**	**33.7**	**119.1**
Accumulated depreciation				
Balance at January 1, 2021	24.8	–	10.8	35.6
Additions	13.6	0.1	7.2	20.9
Disposals	-3.5	–	-0.8	-4.3
Balance at December 31, 2021	**34.9**	**0.1**	**17.2**	**52.2**
Book values at January 1, 2021	**55.3**	**–**	**17.9**	**73.2**
Book values at December 31, 2021	**50.2**	**0.2**	**16.5**	**66.9**

	Land and buildings	Machinery and equipment	Office and other equipment	Total
Acquisition costs				
Book value at January 1, 2020	76.9	0.1	24.9	101.9
Exchange rate differences	-0.2	-0.1	–	-0.3
Additions	14.8	–	7.5	22.3
Reclassifications	-1.7	–	–	-1.7
Disposals	-9.7	–	-3.7	-13.4
Balance at December 31, 2020	**80.1**	**–**	**28.7**	**108.8**
Accumulated depreciation				
Balance at January 1, 2020	12.9	–	6.2	19.1
Additions	15.3	–	7.2	22.5
Reclassifications	-0.3	–	–	-0.3
Impairment losses	0.1	–	–	0.1
Disposals	-3.2	–	-2.6	-5.8
Balance at December 31, 2020	**24.8**	**–**	**10.8**	**35.6**
Book values at January 1, 2020	**64.0**	**0.1**	**18.7**	**82.8**
Book values at December 31, 2020	**55.3**	**–**	**17.9**	**73.2**

9 – Property held as financial investment

The table below shows the development of investment properties held during the years 2020 and 2021:

IN € MILLION

	2021	2020
Acquisition costs		
Balance at December 31	39.9	38.4
Disposals	-1.7	-0.1
Transfers	–	1.6
Balance at January 1	**38.2**	**39.9**
Accumulated depreciation		
Balance at December 31	13.7	13.1
Additions	0.7	0.4
Disposals	-0.4	-0.1
Transfers	–	0.3
Balance at January 1	**14.0**	**13.7**
Book value at December 31	**26.2**	**25.3**
Book value at January 1	**24.2**	**26.2**

DETAILS ON PROPERTIES

PROPERTY

	Book value as at Dec. 31, 2021 in € MILLION	Fair value as at Dec. 31, 2021 in € MILLION	Calculation method	Depreciation method	Useful life
Germany	24.2	45.5			
Munich	10.3	24.8	German income approach	Straight-line	50 years
Überlingen	13.9	20.7	Survey/German income approach	Straight-line	25–50 years
Total	**24.2**	**45.5**			

Property

	Book value as at Dec. 31, 2020 In € million	Fair value as at Dec. 31, 2020 In € million	Calculation method	Depreciation method	Useful life
Germany	24.9	43.2			
Munich	11.0	23.2	German income approach	Straight-line	50 years
Überlingen	13.9	20.0	Survey/German income approach	Straight-line	25–50 years
Sweden	1.3	1.3	Survey/German income approach	Straight-line	50 years
Total	**26.2**	**44.5**			

The earnings derived from investment properties are shown in the table below:

IN € MILLION

	2021	2020
Rental income	2.0	2.0
Depreciation and impairment	-0.7	-0.4
Other expenses	-0.1	-0.2
Total	**1.2**	**1.4**

These figures are allocated to the European segment.

Investment properties include the land and buildings listed above, which have all been rented to third parties or are intended to be rented to third parties. The reported depreciation methods and useful lives only affect the buildings listed.

The evaluation methods applied are listed in the table above.

The key, unobservable inputs used to evaluate investment properties are as follows (measurement of fair value at hierarchy level 3):

The fair values of properties were determined in some cases by surveyors using the German income approach and discounted cash flow methods. These evaluations are based on the standardized land valuations, standard market rents, estimated running costs and estimated residual useful lives inputs.

10 – Intangible assets

a) Goodwill

Goodwill developed as follows:

IN € MILLION

	2021	2020
Balance at December 31	228.6	237.8
Foreign currency fluctuations	–	–
Impairment	–	-9.2
Disposals	–	–
Balance at January 1	**228.6**	**228.6**

The goodwill attributed to the US subgroup in the amount of EUR 9.2 million was fully written down in the previous year (refer to subsection “c) Impairment of goodwill and intangible assets with an indefinite useful life”, → see page 113). The impairment in the amount of EUR 9.2 million was disclosed in 2020 under other expenses and allocated to the Americas region.

b) Other intangible assets

→ See table on page 113

The expected residual useful lives and residual book values of other intangible assets are as follows:

IN € MILLION

	Book value on Dec. 31, 2021	Book value on Dec. 31, 2020	Useful life
Brands	64.8	64.8	Indefinite
Customer base	0.8	0.9	10 years
Software development	17.4	21.6	1 – 8 years
Total	**83.0**	**87.3**	

Other intangible assets include EUR 22.0 million for the brand name “Weidemann” resulting from the acquisition of Weidemann GmbH in 2005. Due to the strong market position of Weidemann GmbH, the brand name and trademark are considered to have an unlimited useful life.

EUR 42.8 million was recognized for the brand name in connection with the merger with the Neuson Kramer Group. This is also considered to have an unlimited useful life due to the company’s strong market position. Wacker Neuson SE does not own the Neuson logo. This is owned by the PIN Private Trust (PIN Privatstiftung), which is part of the group founded by the Chairman of the Supervisory Board, Johann Neunteufel. Subject to certain guidelines, however, the company has an exclusive, irrevocable and unlimited free-of-charge license to use this brand in conjunction with the name “Wacker”.

The acquisition of KLC SERVIS s.r.o. in 2018 resulted in a customer base amounting to EUR 1.2 million. This is amortized on a straight-line basis over ten years.

Internally produced intangible assets refer to capitalized development costs. Software developments also refer to capitalized costs for software.

In fiscal 2021, an impairment test on internally produced intangible assets prompted by a change in circumstances indicated grounds for an impairment loss in the amount of EUR 5.4 million (2020: EUR 6.3 million). Assets were individually tested for impairment.

IN € MILLION

	2021	2020
Functional lines		
Cost of sales	4.0	5.4
Research and development expenses	–	0.2
Sales and service expenses	0.7	–
General and administrative expenses	0.7	0.9
Total impairment losses	**5.4**	**6.5**
Regions		
Europe	4.7	3.4
Americas	0.7	1.3
Asia-Pacific	–	1.8
Total impairment losses	**5.4**	**6.5**

Within the impairment test prompted by a change in circumstances, IT developments (including developments for SAP customizations) in the amount of EUR 1.4 million (2020: EUR 0.9 million) were written down and allocated to the Europe (EUR 0.7 million; 2020: EUR 0.9 million) and Americas (EUR 0.7 million; 2020: EUR 0.0 million) regions. An impairment loss in the amount of EUR 4.0 million (2020: EUR 5.4 million) was recognized for capitalized product developments as a result of the impairment test prompted by a change in circumstances.

The gains in intangible assets under development mainly result from product developments and the capitalization of IT projects. The reclassifications for intangible assets under development decreased significantly to EUR 8.7 million relative to the previous year (2020: EUR 42.4 million). This is attributable to the completion of product development work for wheel loaders, telescopic wheel loaders and backhoe loaders as a result of emissions standards (TIER V) in 2020. In addition to this, key IT projects went live in 2020, including SAP IBP (Integrated Business Planning), which is enabling the gradual integration of sales and production planning across all operative Group companies. A new rental software (FIT Rent) to improve resource allocation and capacity utilization of rental equipment also went live in the previous year.

DEVELOPMENT OF INTANGIBLE ASSETS

IN € MILLION

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2021	32.5	103.5	104.1	39.6	279.7
Exchange rate differences	0.7	0.2	1.3	0.3	2.5
Additions	2.1	1.4	–	33.1	36.6
Disposals	-0.7	-2.3	-17.6	-0.2	-20.8
Reclassifications	–	2.2	6.5	-8.7	–
Balance at December 31, 2021	**34.6**	**105.0**	**94.3**	**64.1**	**298.0**
Accumulated depreciation					
Balance at January 1, 2021	26.6	16.2	57.8	0.2	100.8
Exchange rate differences	0.6	0.2	0.9	–	1.7
Additions	1.7	7.1	12.7	–	21.5
Impairment	0.7	0.7	0.3	3.7	5.4
Disposals	-0.4	-2.2	-17.4	–	-20.0
Reclassifications	–	–	0.1	-0.1	–
Balance at December 31, 2021	**29.2**	**22.0**	**54.4**	**3.8**	**109.4**
Book value at December 31, 2020	**5.9**	**87.3**	**46.3**	**39.4**	**178.9**
Book value at December 31, 2021	**5.4**	**83.0**	**39.9**	**60.3**	**188.6**
Useful life in years	3 – 8	1 – 8	5 – 6		

	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Intangible assets under development	Total
Acquisition costs					
Balance at January 1, 2020	32.9	92.9	81.1	45.5	252.4
Exchange rate differences	-0.7	-0.1	-1.4	-0.3	-2.5
Additions	1.1	0.5	0.2	37.1	38.9
Disposals	-0.8	-0.9	-7.1	-0.3	-9.1
Reclassifications	–	11.1	31.3	-42.4	–
Balance at December 31, 2020	**32.5**	**103.5**	**104.1**	**39.6**	**279.7**
Accumulated depreciation					
Balance at January 1, 2020	25.9	10.5	50.1	–	86.5
Exchange rate differences	-0.7	–	-0.9	–	-1.6
Additions	2.1	4.3	11.4	–	17.8
Impairment	–	2.0	4.3	0.2	6.5
Disposals	-0.7	-0.6	-7.1	–	-8.4
Balance at December 31, 2020	**26.6**	**16.2**	**57.8**	**0.2**	**100.8**
Book value at December 31, 2019	**7.0**	**82.4**	**31.0**	**45.5**	**165.9**
Book value at December 31, 2020	**5.9**	**87.3**	**46.3**	**39.4**	**178.9**

c) Impairment of goodwill and intangible assets with an indefinite useful life

The goodwill and indefinite-lived Weidemann and Neuson brands obtained through mergers were allocated for impairment testing to the following cash-generating units within the Europe segment:

- Weidemann GmbH (Germany)
- Wacker Neuson Beteiligungs GmbH (subgroup/Austria)

The pro rata book values break down as follows:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Weidemann GmbH		
Book value of goodwill	24.2	24.2
Book value of the indefinite-lived brand	22.0	22.0
Wacker Neuson Beteiligungs GmbH (subgroup/Austria)		
Book value of goodwill	204.4	204.4
Book value of the indefinite-lived brand	42.8	42.8
Book value of goodwill	**228.6**	**228.6**
Book value of the indefinite-lived brand	**64.8**	**64.8**

With the exception of the year when they were first recognized in the balance sheet, the carrying amounts of goodwill and indefinite-lived brands are verified during the annual impairment test or subjected to an additional impairment test if there are indications of asset impairment. For this purpose, the book value is compared with the fair value less cost to sell. The fair value less cost to sell is determined using the discounted cash flow method (measurement of fair value at hierarchy level 3). Future cash flows are discounted to the respective reporting date. Value is impaired if the fair value less cost to sell is lower than the carrying value.

General economic conditions
Following the fall in revenue in 2020 due to the COVID-19 pandemic, the Wacker Neuson Group's business performance experienced a rapid recovery in fiscal 2021. However, supply chain issues curbed growth momentum from the second quarter onwards, meaning the 2019 level could not be reached despite high customer demand. Supply bottlenecks for raw materials and components as well as a sharp reduction in shipping capacities resulted in delays in the production and delivery of products, although the Group largely managed to avoid extended production shutdowns.

Cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria)
The Group carries out an impairment test on goodwill once a year or more often if there is indication that an asset has been impaired. With regard to the cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria), the annual impairment test was completed in November 2021.

Cash flow projections are based on financial plans approved by management for a period of three years (until 2024). The discount rate after tax applied to the cash flow projections is 7.80 percent (2020: 7.60 percent). Cash flows beyond the three-year period are extrapolated using a growth rate of 1.1 to 1.9 percent (2020: 2.6 to 3.4 percent) for a further two years (until 2026). This growth rate exceeds the average growth forecast for the industry. However, the cash-generating unit has already achieved above-average growth in the past. Management expects this trend to continue. The test revealed that the fair value less cost to sell exceeds the carrying value, indicating no need to recognize impairment losses.

A 10.00 percent decrease in operating free cash flows would not result in an impairment for either of the two cash-generating units, even if accompanied by a 1 percent increase in the discount rate and a reduction in the growth rate to 0 percent for perpetual annuity.

Key assumptions used in calculating fair value less cost to sell and sensitivity to changes in assumptions
The calculation of fair value less cost to sell is based on assumptions, which in turn are dependent on the following uncertain estimates:

- Free cash flow
- Discount rates
- Growth rate used to extrapolate cash flows beyond the forecast period
- Perpetual annuity

Free cash flow after tax: Free cash flow is calculated based on a detailed planning phase from 2022 to 2024. Growth rates for the cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria) are determined for the first three budget years (until 2024) based on the market environment, taking past values into account. Higher growth rates than the forecast average growth for the industry result from above-average growth already achieved by the cash-generating units in the past.

Discount rates: These reflect management's assessment of the risks associated with cash-generating units. In addition to a risk-free interest rate, a risk-weighted rate is also taken into account. The weighted average cost of capital (WACC) after tax is applied at a rate of 7.80 percent (2020: 7.60 percent) for the two cash-generating units Weidemann GmbH (Germany) and Wacker Neuson Beteiligungs GmbH (subgroup/Austria).

Growth rate estimates: Management and affiliates estimate growth rates based on local market dynamics. To extrapolate cash flows beyond the forecast period, growth rates based on average gross domestic product growth rates forecast by the International Monetary Fund were used.

Market capitalization of Wacker Neuson SE Group
The Group considers the relationship between its market capitalization and its book value, among other factors, when checking for indications of impairment. After closing at EUR 17.51 at the end of 2020, the Wacker Neuson SE share reached its high for the year of EUR 30.78 on November 9, 2021, closing on the last day of 2021 trading at EUR 25.24. At December 31, 2021, the market capitalization of the Group was above the book value of its equity.

11 – Other non-current assets

Other non-current assets are composed of the following items:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Non-current trade receivables	1.3	85.8
Prepaid volume bonuses to US dealers	2.4	10.3
Non-current receivables from finance lease	2.2	7.4
Investment securities	1.6	1.6
Continuing involvement	5.2	1.5
Dilution reserve (ABS structure)	3.8	–
Misc. other non-current financial assets	2.5	3.1
Other non-current financial assets	**19.0**	**109.7**
Other non-current non-financial assets	**–**	**–**
Total	**19.0**	**109.7**

Allowances for doubtful receivables on these non-current assets developed as follows:

IN € MILLION

	2021	2020
Balance at January 1	**23.3**	**1.6**
Exchange rate differences	-0.9	-
Additions	17.4	21.7
Amount used for write-offs	-	-
Reversals	-37.9	-
Balance at December 31	**1.9**	**23.3**

Non-current trade receivables largely resulted from sales promotion activities in the US. Delivered products are subject to retention of title and personal sureties. Non-current trade receivables, non-current finance lease receivables and prepaid volume bonuses to US dealers include a financing component that generates income from customer financing and is reported as revenue arising in the course of ordinary activities.

Expenses arising from allowances for doubtful receivables are reported under sales and service expenses. At December 31, allowances were broken down as follows:

IN € MILLION

	2021	2020
Division of allowances		
Non-current trade receivables	2.1	96.1
Allowances for doubtful receivables	-0.8	-10.3
Book value	**1.3**	**85.8**
Prepaid volume bonuses to US dealers	3.5	23.3
Allowances for doubtful receivables	-1.1	-13.0
Book value	**2.4**	**10.3**
Non-current receivables from finance lease	2.2	7.4
Allowances for doubtful receivables	–	–
Book value	**2.2**	**7.4**

For sales support reasons, the Group grants selected dealers payment terms of over one year. The associated non-current receivables are reported in the “Non-current financial assets” balance sheet line as long as the amount is not due within the next year. If the due date falls within the next year, the current portion is moved to the “Trade receivables” balance sheet line.

This decrease was primarily attributable to the development of non-current financial assets, which were shaped primarily by the pre-term receipt of non-current receivables from US dealers in the amount of EUR 67.9 million (Dec. 31, 2021: EUR 1.3 million; Dec. 31, 2020: EUR 85.8 million).

In connection with the disposal of the minority shareholding in North America in the first half of 2021, non-current receivables from that shareholding in the amount of EUR 28.2 million were also transferred to the acquirer at a purchase price of EUR 49.1 million. In addition to non-current receivables with extended payment terms, non-current receivables from prepaid volume bonuses to the minority shareholding were also sold. Consequently, it was possible to reverse provisions in the amount of EUR 20.9 million recognized on this portfolio. By contrast, further provisions in the amount of EUR 19.2 million were recognized in the first half of the year due to increased default risks in the Americas region. Of this amount, EUR 17.4 million is attributable to North America and recognized under non-current trade receivables including prepaid volume bonuses. In addition, EUR 1.8 million is attributable to South America and is recognized under trade receivables as impairment losses.

The loss allowance in the amount of EUR 17.4 million allocated during the year to non-current receivables was similarly reversed during the second half-year as a result of pre-term receipt of payments in the amount of EUR 67.9 million (gross value, i.e. before impairment losses). Both the recognition of the ECL allowance and its reversal are reported under sales and service expenses.

Non-current receivables from finance leases result mainly from additional finance lease transactions with a wholesaler in Australia and the expansion of sale-and-leaseback agreements as a sales support measure within Europe in fiscal 2019 and fiscal 2018. No significant new transactions for finance leases have been concluded in the interim. This has correspondingly led to a decrease in non-current receivables from finance leases.

If the Group transfers its rights to receive cash flows from an asset or enters into a pass-through arrangement, it evaluates whether and – if so – to what extent it has retained the risks and rewards of ownership. If it has neither transferred nor retained substantially all of the risks and rewards associated with the asset, nor transferred control over the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are evaluated in due consideration of the rights and obligations that the Group has retained. The Group regularly sells receivables individually or (since 2020) in bundles and has determined that opportunities and risks are neither transferred nor retained for these transactions. The non-current portion of the Group’s continuing involvement in the amount of EUR 5.2 million (2020: EUR 1.5 million) is reported under other non-current assets. A preliminary dilution reserve verity risk (ABS structure) in the amount of EUR 3.8 million (2020: EUR 0.0 million) was recognized, which is refundable. Refer to item 29, “Additional information on financial instruments”, for further information on these financial transactions.

12 – Rental

IN € MILLION

	2021	2020
Acquisition costs		
Balance at December 31	235.2	244.5
Exchange rate differences	3.3	-1.0
Change in consolidation structure	–	-1.3
Additions	113.7	80.0
Disposals	-75.2	-87.0
Transfers	-0.2	–
Balance at January 1	**276.8**	**235.2**
Accumulated depreciation		
Balance at December 31	75.7	78.4
Exchange rate differences	1.3	-0.3
Change in consolidation structure	–	-0.6
Additions	43.1	40.8
Disposals	-34.8	-42.6
Transfers	-0.1	–
Balance at January 1	**85.2**	**75.7**
Book value at December 31	**159.5**	**166.1**
Book value at January 1	**191.6**	**159.5**
Useful life in years	2 – 3	2 – 3

Rental covers equipment kept for use by customers. At the request of the customer, this equipment may also be sold.

13 – Inventories

IN € MILLION

	Gross value	Allowance	Net value Dec. 31, 2021
Raw materials and supplies	153.8	-5.1	148.7
Work in progress	67.9	-0.6	67.3
Finished goods	282.4	-8.2	274.2
Total	**504.1**	**-13.9**	**490.2**

	Gross value	Allowance	Net value Dec. 31, 2020
Raw materials and supplies	93.8	-3.2	90.6
Work in progress	25.8	–	25.8
Finished goods	305.0	-9.2	295.8
Total	**424.6**	**-12.4**	**412.2**

Inventory levels of machines, raw materials and supplies increased by 18.9 percent in 2021 to EUR 490.2 million (2020: EUR 412.2 million). Inventory levels of finished machines decreased sharply here due to strong demand. Conversely, levels of unfinished machines more than doubled since the start of the year as a result of overstretched and, in some cases, interrupted supply chains. Nevertheless, in view of the significantly higher volume of business, days inventory outstanding increased from 124 to 129 days. (Refer to the Combined Management Report, → page 37 for further information).

An expense of EUR 1,097.7 million (2020: EUR 948.3 million) was recorded under costs for inventories sold in the fiscal year.

Raw materials and supplies, work in progress and finished goods were valued at cost or at the lower net realizable value. The associated allowances for doubtful accounts increased by EUR 1.5 million compared to the previous year (2020: increase of EUR 0.3 million).

Similar to the previous year, no inventories were pledged as collateral for liabilities during the period under review.

14 – Trade receivables

Trade receivables have the following components:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 202
Trade receivables at nominal value	258.4	240.8
Less allowance	-20.5	-18.4
Total	**237.9**	**222.4**

The increase in trade receivables was primarily attributable to business growth relative to the previous year.

As of December 31, 2021, trade receivables and allowances for doubtful accounts were broken down as follows:

IN € MILLION

	Nominal value	Allowance
	Dec. 31, 2021	Dec. 31, 2021
Not overdue	191.9	1.2
Overdue <30 days	31.4	0.2
Overdue 30–90 days	9.9	0.4
Overdue >90 days	25.2	18.7
Total	**258.4**	**20.5**

IN € MILLION

	Nominal Value	Allowance
	Dec. 31, 2020	Dec. 31, 2020
Not overdue	172.0	1.2
Overdue <30 days	20.7	0.2
Overdue 30 – 90 days	9.7	1.6
Overdue >90 days	38.4	15.4
Total	**240.8**	**18.4**

Allowance for doubtful accounts developed as follows:

IN € MILLION

	2021	2020
Balance at December 31	18.4	14.0
Exchange rate differences	0.4	-1.0
Additions	7.9	6.5
Amount used for write-offs	-5.3	-0.4
Reversals	-0.9	-0.7
Balance at December 31, 2021	**20.5**	**18.4**

Current trade receivables are non-interest-bearing and are mainly on terms of up to 30 days. The Group considers a financial asset in default when contractual payments are 90 days past due. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The Group regards the concentration of risk with regard to trade receivables as low in view of the fact that it has a broad customer base distributed across different countries and industries in markets that are largely unconnected. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

EXPECTED CREDIT LOSS RATE

	Dec. 31, 2021	Dec. 31, 2020
Not overdue	1%	0%
Overdue <30 days	1%	1%
Overdue 30–90 days	4%	17%
Overdue >90 days	74%	40%

The main reason for significantly higher allowances for the >90 days past due category is the individual review of dealers in South America who had already experienced financial difficulties in the previous year. The >90 days category also includes significant allowances in China. In line with this, the allowances for doubtful accounts shown above are not representative of the total portfolio.

The fair value is a reasonable approximation of the book value since all receivables are due within less than one year.

15 – Other current assets

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Prepaid volume bonuses to US dealers	3.0	0.7
Receivables from finance leases	2.4	10.2
Government grants	1.6	1.5
Creditors with debit accounts	0.5	0.8
Deposits	130.2	15.2
Loans	–	2.4
Continuing involvement	11.0	4.4
Dilution Reserve (ABS-structure)	5.7	3.4
Positive fair value from derivatives	0.2	2.1
Compensation from cooperation agreement	–	2.3
Misc. other current financial assets	3.8	2.5
Other current financial assets	**158.4**	**45.5**
Sales tax	12.5	8.5
Advance payments	9.4	6.2
Advances to employees	0.1	0.2
Misc. other current non-financial assets	1.5	1.6
Other current non-financial assets	**23.5**	**16.5**
Total	**181.9**	**62.0**

The fair value of other current financial assets is a reasonable approximation of the book value since all items are due within less than one year.

Other current assets include the current portion of finance lease receivables in the amount of EUR 2.4 million (2020: EUR 10.2 million).

The non-current portion of finance lease receivables is reported under the item “Other non-current financial assets” and amounted to EUR 2.2 million (2020: EUR 7.4 million).

The increase in deposits is attributable to an investment of EUR 115.0 million as a term account with a term of 6 months (2020: EUR 15.0 million).

The advance payments mainly relate to other services to be deferred in the ordinary course of business.

The Group is a contractual partner in a factoring transaction, on the basis of which the bank is obliged to purchase trade receivables from fees already due from equipment sales payable over a period of several years. The Group regularly sells receivables individually or (since 2020) in bundles and has determined that opportunities and risks are neither transferred nor retained for these transactions. The current portion of the Group’s continuing involvement in the amount of EUR 11.0 million (2020: EUR 4.4 million) is reported under other current assets. Refer to item 29, “Additional information on financial instruments”, for further information on this financial transaction.

Refer to the following overview for allowances relating to the current portion of prepaid volume bonuses to US dealers and finance lease receivables:

IN € MILLION

	2021	2020
Division of allowances		
Prepaid volume bonuses to US dealers	4.4	1.3
Allowances for doubtful receivables	-1.4	-0.6
Book value	**3.0**	**0.7**
Non-current receivables from finance leases	2.4	10.2
Allowances for doubtful receivables	–	–
Book value	**2.4**	**10.2**

The future minimum lease payments break down as follows:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Within one year	2.6	10.3
In between one and two years	1.4	5.8
In between two and three years	0.6	1.7
In between three and four years	0.2	1.5
In between four and five years	0.1	0.6
After more than five years	–	0.2
Total	**4.9**	**20.1**

The following table shows the reconciliation of future minimum lease payments to gross and net investment in leases and to the present value of future minimum lease payments:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Future minimum lease payments	4.9	20.1
Plus: Not guaranteed residual value	0.1	0.0
Gross investment in leases	5.0	20.1
Less: Unrealized financial income	-0.4	-2.5
Net investment in leases	4.6	17.6
Less: Allowances for doubtful accounts	0.0	0.0
Less: Present value of not guaranteed residual value	0.0	0.0
Present value of future minimum lease payments	**4.6**	**17.6**

The present value of future minimum lease payments was due as follows:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Within one year	2.4	10.2
Between one and five years	2.2	7.2
After more than five years	–	0.2
Total	**4.6**	**17.6**

Investments in finance leases resulted primarily from the leasing business with construction equipment.

In 2021, the Group reported no profit on disposal of finance leases (2020: EUR 0.0 million).

In 2021, the Group reported interest income on finance lease receivables in the amount of EUR 0.4 million (2020: EUR 0.3 million).

The Group received no income as lessor from variable lease payments.

Refer to item 25, “Derivative financial instruments”, in these Notes for further information about the positive fair value of foreign exchange forward contracts.

16 – Cash and cash equivalents

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Petty cash	303.0	166.4
Bank balances	2.3	116.6
Cash deposits	0.2	0.1
Total	**305.5**	**283.1**

Daily cash balances held with banks bear interest at floating rates. Depending on the company’s liquidity requirements, surplus cash and cash equivalents are set up as short-term term accounts running from one day to three months. The term accounts yield interest at the agreed interest rates.

Petty cash in the amount of EUR 324.4 million (including cash pool current account balances) (2020: EUR 217.5 million) was netted against cash pool current account liabilities amounting to EUR 21.4 million (2020: EUR 51.1 million), as a netting (offset) option was agreed with the cash pool bank. Current account balances after netting at December 31, 2021 amounted to EUR 303.0 million (2020: EUR 166.4 million).

17 – Non-current assets held for sale

A tract of developed land and the associated building in Guaratuba, Brazil, with a book value of EUR 0.1 million was classified as a “non-current asset held for sale” in the previous year. Due to the huge disruptions caused by the COVID-19 pandemic and resulting uncertainties, it was not possible to adequately market or sell the property during the fiscal year under review. However, Wacker Neuson Group anticipate that market volatility will settle down over the course of the 2022 fiscal year and intend as before to complete the sale within the year. The sale is expected to take place during the first half of 2022.

As part of the streamlining of sales structures in South America, real estate in Huechuraba, Chile, with a book value of EUR 0.7 million and real estate in Itatiba, Brazil, with a book value of EUR 0.2 million were reclassified as “non-current assets held for sale” in the previous year. These sales took place during the first quarter of 2021. They resulted in book value gains of EUR 0.5 million.

Also in the previous year, as part of reorganization measures, real estate in Malmö, Sweden, with a book value of EUR 2.2 million was reclassified as a “non-current asset held for sale”. The sale took place during the first half of 2021. This represented a gain of EUR 0.4 million on the book value.

In addition, a tract of developed land and the associated building in Johannesburg, South Africa, with a book value of EUR 1.0 million was classified as a “non-current asset held for sale”. In December 2021, management decided to continue using this real estate and no longer aims to sell it. The reasons for this are strategic realignment and developments in the local real-estate market. These assets are again reported under property, plant and equipment. There was no impact on earnings in the reporting period, as the book values primarily relate to a tract of land that is not subject to depreciation.

Due to the expansion of logistics capacities at the Reichertshofen production site, a developed tract of land and the associated building in Karlsfeld, Germany, previously required for operations, has now been classified as "non-current assets held for sale" as part of the consolidation of the two sites. The book value amounts to EUR 8.9 million. The sale of this real estate is expected to take place during the fourth quarter of 2022.

As part of the realignment of sales structures in Northern Europe, the Group intends to divest the subsidiary Wacker Neuson AS, Hagan, Norway, by disposing of shares. A potential buyer has been found and the relevant negotiations were already at an advanced stage at the reporting date. The corresponding assets and liabilities of the company were classified as a disposal group. Due to immateriality, this does not constitute a discontinued operation. The book value of the assets and liabilities amounts to EUR 1.8 million. Completion of the sale is expected during the first quarter of 2022.

18 – Equity

As in the previous year, subscribed capital amounted to EUR 70.1 million and is divided into 70,140,000 individual no-par-value registered shares, each representing a proportionate amount of the share capital of EUR 1.00. The share capital was fully paid in at the closing date of the Consolidated Financial Statements.

Other reserves are as follows:

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
Capital reserves	618.7	618.7
Exchange rate differences	-4.8	-18.9
Other changes without effect	-26.8	-37.6
Total	**587.1**	**562.2**

The capital reserves primarily result from share premiums in connection with the IPO and the merger with Wacker Neuson Beteiligungs GmbH (formerly Neuson Kramer Baumaschinen AG).

The reserve for exchange differences includes gains and losses from translating the annual financial statements of consolidated affiliates that are prepared in foreign currencies according to the concept of the functional currency to be recognized in equity with no impact on the financial result. As in the previous year, a foreign currency loan in US dollars to a foreign business operation, classified as part of a net investment, exists in fiscal 2021. The nominal value amounts to USD 60.0 million and was issued by the German parent company of the Group to the American sales affiliate Wacker Neuson Sales Americas LLC. The associated currency translation differences are recognized in the reserve for exchange rate differences. The significant change relative to the previous year is mainly due to the movement of the USD rate. → Page 88

Other changes without effect include reserves for the recognition of gains and losses from revaluations of pensions and similar obligations – primarily actuarial gains and losses – as well as results recognized in equity in connection with reporting of hedge accounting.

On March 18, 2021, the Executive Board of Wacker Neuson SE – with the approval of the Supervisory Board – resolved to utilize the authorization granted by the company’s Annual General Meeting on May 30, 2017 to launch a share buyback program (“2021 share buyback program”). The 2021 share buyback program was successfully implemented in the period from April 1, 2021 to November 19, 2021. A total of 2,124,655 treasury shares (corresponding to 3.03 percent of the company’s share capital) were bought back for a total purchase price (excluding incidental acquisition costs) of EUR 53.0 million. These treasury shares will be primarily used by way of consideration in connection with the acquisition of companies or to implement participation programs for Group employees and Executive Board members as required. These repurchased shares are recorded in equity under the “Treasury shares” item at acquisition cost including transaction costs and less any tax benefits. Since the share buyback program was only launched in fiscal 2021, the company did not hold any treasury shares in the previous year.

At the company’s AGM on May 26, 2021, which again took place virtually, shareholders approved the Executive Board and Supervisory Board’s proposed dividend for fiscal 2020 in the amount of EUR 0.60 per share. EUR 41.7 million was thus distributed to the shareholders. In fiscal 2020, the Group did not pay a dividend for fiscal 2019. In fiscal 2022, the dividend payout proposal for fiscal 2021 amounts to EUR 61.2 million (EUR 0.90 per share). Proposed dividend payouts for no-par-value shares that require AGM approval were not recognized as a liability at December 31. Refer to the statement of changes in equity for further details on equity.

Authorized capital 2021
At the AGM on May 30, 2017, the Executive Board was authorized to increase the company's share capital by May 29, 2022, subject to the approval of the Supervisory Board, by issuing up to 17,535,000 new, registered shares against cash contributions and/or contributions in kind, in full or in partial amounts, on one or several occasions, however by a maximum overall total of EUR 17,535,000.00 (Authorized Capital 2017).

Treasury shares
Also in a resolution passed at the AGM on May 30, 2017, the Executive Board is authorized, subject to the prior approval of the Supervisory Board, to acquire 7,014,000 treasury shares in total via the stock exchange by May 29, 2022. This acquisition may also be performed by Group members, or by third parties acting on or for its or their account. 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 correspond to more than 10 percent of the existing share capital. Shares must not be purchased for the purpose of trading company shares on the stock exchange. Within the framework of the 2021 share buyback program, 2,124,655 treasury shares were already acquired under this authorization in fiscal 2021.

Rights, preferential rights and restrictions on shares
There are pool agreements between some shareholders and companies of the Wacker family on the one hand, and companies and shareholders of the Neunteufel family on the other, which essentially regulate the exercise of voting and petition rights at the AGM and restrict the transfer of shares. A pool agreement also exists between a shareholder of the Neunteufel family and Mr. Martin Lehner that permits the Neunteufel family shareholder to exercise the voting rights attributable to Mr. Martin Lehner's shares. Refer to the "Restrictions affecting voting rights or the transfer of shares" section in the Management Report for further information.

19 – Provisions for pensions and similar obligations

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Provisions for pension obligations	54.5	64.7
Provisions for other obligations to employees	0.1	0.1
Total	**54.6**	**64.8**

Within the Group, there are various types of employee retirement benefit schemes worldwide for old age and surviving dependents' pensions. Most of the schemes provide for the payment of fixed lump-sum amounts. The others are defined retirement plans with a pension paid from retirement until death. The amounts to be paid are based on the ranking of the employee concerned (with respect to both salary and hierarchy) as well as their years of service to the company.

At the parent company, pension commitments due to enter into effect as of retirement age are primarily in place for Executive Board members, as well as for former executives and Executive Board members.

The foreign affiliate in Switzerland has statutory pension plans in place in accordance with the Federal Law on Occupational Old Age, Survivors' and Invalidity Pensions (BVG), which are accounted for as defined benefit plans according to IAS 19. These defined benefit plans are financed by liability insurance. In this case, the individual company makes contributions to the relevant pension insurance schemes due to legal requirements. Although future pension benefits are generally dependent on the contributions saved, including interest, the guarantees contained in the pension law leave a residual risk for the individual company.

For the remaining domestic and foreign companies, the schemes partly provide for a lump-sum payment which is based on the salary at retirement age multiplied by a factor based on years of service with the company, and partly for pension payments from retirement until death based on the employee's earnings to those who fulfill the time-of-service requirements, which differ from country to country.

The defined benefit plans are partly financed by liability insurance. There are also pension commitments that are not financed by liability insurance or funds, where the Group pledges to make future payments when the pension payouts are due. This primarily refers to pension commitments governed by the legal framework of individual countries (adjustments to pensions, for example).

Domestic and foreign affiliates also have defined contribution plans. In this case, the individual company makes contributions to the relevant pension insurance schemes due to legal requirements or contracted agreements. There is no further obligation for the company beyond these payments. The periodic contributions are recognized as an expense under earnings before interest and taxes (EBIT) in the respective year.

The actuarial valuation is essentially based on the following assumptions, with the exception of the Swiss pension plans (see separate statement):

		2021	2020
Actuarial assumptions[1]			
Discount rate	as a %	1.20	0.71
Salary trends	as a %	0.54	0.56
Pension trends	as a %	1.75	1.71
Retirement age	in years	62	62

Weighted average of the individual benefit schemes

The actuarial valuation for the Swiss pension plans is essentially based on the following assumptions:

		2021	2020
Actuarial assumptions			
Discount rate	as a %	0.20	0.20
Salary trends	as a %	0.80	0.80
Retirement age	in years	65	65

Pension obligations are distributed as follows:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Fair value of pension obligations, funded	60.5	64.9
Fair value of plan assets	-33.9	-31.5
Shortfall in pension obligations, funded	**26.6**	**33.4**
Fair value of pension obligations, not funded	28.0	31.4
Shortfall in all pension obligations	**54.6**	**64.8**
Pension obligations	**54.6**	**64.8**

The changes in the present value of pension obligations and in plan assets are as follows:

IN € MILLION

	2021	2020
Changes in the present value of pension obligations		
Balance at January 1	96.3	92.0
Current service costs	1.9	2.0
Interest expense	0.6	0.8
Contributions by plan participants	2.2	1.9
New valuations:		
Actuarial gains/losses		
- from changes to demographic assumptions	-0.8	-0.1
- from changes to financial assumptions	-5.5	5.0
Experience adjustments	-1.1	0.2
Changes in exchange rate	1.2	–
Paid benefits	-4.6	-5.3
Past service cost	-1.7	-0.2
Balance at December 31	**88.5**	**96.3**

IN € MILLION

	2021	2020
Changes in fair value of plan assets		
Balance at January 1	31.5	30.2
Interest income	0.2	0.2
Changes in exchange rate	0.6	0.1
New valuations:		
From changes to financial assumptions		
Experience adjustments	0.3	0.3
Employer's contributions	2.1	2.4
Contributions by plan participants	2.2	2.0
Payouts	-3.0	-3.7
Balance at December 31	**33.9**	**31.5**

Plan assets include pension liability insurance with German life insurance schemes where future payments are pledged in favor of the entitled recipient. Pension liability insurance schemes are not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 18.0 million (2020: EUR 16.7 million). Pension liability insurance is also held with Swiss life insurance schemes where future payments are pledged in favor of the entitled recipient. The Swiss pension liability insurance scheme is not listed on an active market. The fair value of plan assets communicated by the life insurance company amounts to EUR 15.8 million (2020: EUR 14.8 million).

The average duration of the defined benefit plan obligation at the end of the reporting period is 16.0 years (2020: 14.9 years).

The investment strategy for plan assets, primarily German and Swiss pension liability insurance, is designed to achieve a sufficient return on investment in connection with contributions, with a view to managing the financing risk from pension obligations appropriately. The actual contributions may differ from the investment strategy as a result of changing economic conditions.

Pension expenses are as follows:

IN € MILLION

	2021	2020
Current service costs	1.9	2.0
Interest expense for pension obligations	0.6	0.8
Net interest	-0.2	-0.1
Past service cost	-1.7	-0.2
Total pension expense from defined benefit schemes	**0.6**	**2.5**
Total pension expense from defined contribution schemes	**0.5**	**0.2**
Total contributions to statutory pension insurance schemes	**34.5**	**34.5**
Total pension expense	**35.6**	**37.2**

Interest expense ensuing from pension obligations is recognized in the financial result. The remaining pension expense is part of personnel costs shown in the appropriate functional line of the income statement.

The valuation date for the current value of fund assets and the present value of obligations is December 31 for each year. The base value for the calculation of unaccrued interest concerning pension obligations is the present value of obligations as of January 1. The base value for the anticipated return on fund assets is the current value as at January 1. Transfers during the year are accounted for on a pro rata basis.

The contributions expected to be made to German fund assets in 2021 amount to EUR 1.3 million (2020: EUR 1.6 million).

The following overview shows the projected pension pay-outs for the next five years:

IN € MILLION

Due in 2022	2.5
Due in 2023	2.5
Due in 2024	2.3
Due in 2025	2.7
Due in 2026	2.5

The following overview shows the sensitivity of key actuarial assumptions:

IN € MILLION

	as a %	Sensitivity	Increase in valuation parameters	Decrease in valuation parameters
Discount rate	1.20	+/- 1,00 %	-19.8	25.1
Salary trends	0.54	+/- 0,50 %	12.0	-11.7
Pension trends	1.75	+/- 0,50 %	13.5	-12.0

The sensitivity analysis shows how the value of pension obligations would develop if individual actuarial assumptions changed. The sensitivity is determined solely on the basis of the projected unit credit method. This involves determining and displaying the impact of a change to individual actuarial assumptions, while all other assumptions remain unchanged.

The following risks arise for the Group from pension commitments:

- A reduction in the discount rate results in a rise in pension obligations.
- An increase in life expectancy results in a rise in pension obligations.

The following table shows the effects of a one percentage point increase or reduction in assumed healthcare costs:

IN € MILLION

	Additions	Reversals
2021		
Effect on the present value of pension obligations	0.1	-0.1
2020		
Effect on the present value of pension obligations	0.1	-0.1

The present value of obligations as well as pension pay-outs and reevaluations are distributed as follows across pension obligations and healthcare contributions:

IN € MILLION

	2021	2020
Provisions for pensions recorded in the balance sheet		
Pension obligations	53.4	63.7
Healthcare	1.2	1.1
Total	**54.6**	**64.8**
Pension expenses listed under EBIT		
Pension obligations	1.9	2.0
Healthcare	–	–
Total	**1.9**	**2.0**
New valuations		
Pension obligations	7.4	5.0
Healthcare	–	0.1
Total	**7.4**	**5.1**

20 – Other provisions

IN € MILLION

	Balance at Jan. 1, 2021	Currency	Utilization	Additions	Reversals	Balance at Dec. 31, 2021
Provisions						
Warranties	15.5	0.5	-9.3	12.3	-0.5	18.5
Obligations towards employees	10.6	–	-5.1	5.3	-0.1	10.7
Professional fees	0.4	–	-0.2	–	–	0.2
Litigation costs	0.8	–	-0.3	0.5	-0.4	0.6
Other provisions	1.5	–	-0.6	–	-0.4	0.5
Total	**28.8**	**0.5**	**-15.5**	**18.1**	**-1.4**	**30.5**

	Balance at Jan. 1, 2020	Currency	Utilization	Additions	Reversals	Balance at Dec. 31, 2020
Provisions						
Warranties	14.3	-0.5	-11.2	13.8	-0.9	15.5
Obligations towards employees	8.7	–	-4.3	6.2	–	10.6
Professional fees	0.3	–	-0.3	0.4	–	0.4
Litigation costs	0.2	–	-0.1	0.8	-0.1	0.8
Other provisions	2.0	–	-0.7	0.2	–	1.5
Total	**25.5**	**-0.5**	**-16.6**	**21.4**	**-1.0**	**28.8**

An interest effect of less than EUR 0.1 million was recognized in the provisions for 2021 (2020: under EUR 0.1 million).

The due dates of the above provisions are distributed as follows:

IN € MILLION

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at Dec. 31, 2021
Provisions			
Warranties	15.8	2.7	18.5
Obligations towards employees	3.7	7.0	10.7
Professional fees	0.2	–	0.2
Litigation costs	0.4	0.2	0.6
Other provisions	0.4	0.1	0.5
Total	**20.5**	**10.0**	**30.5**

	Short-term (< 1 year)	Long-term (> 1 year)	Balance at Dec. 31, 2020
Provisions			
Warranties	13.0	2.5	15.5
Obligations towards employees	4.2	6.4	10.6
Professional fees	0.4	–	0.4
Litigation costs	0.7	0.1	0.8
Other provisions	0.7	0.8	1.5
Total	**19.0**	**9.8**	**28.8**

Company obligations from employee work accounts are offset against securities classified as assets, which are created in order to secure these claims. Obligations from employee work accounts came to EUR 9.4 million (2020: EUR 8.5 million). The cost of acquiring the securities amounts to EUR 8.4 million (2020: EUR 6.7 million) and the fair value at December 31, 2021 was EUR 9.4 million (2020: EUR 8.5 million), of which EUR 9.4 million is offset (2020: EUR 8.5 million).

The increase in obligations towards employees in the previous year included restructuring measures in the amount of EUR 2.6 million (2021: EUR 0.0 million) relating to the logistics center in Karlsfeld (Germany), as well as from a streamlining of sales in South America in the amount of EUR 0.9 million (2021: EUR 0.0 million).

The Group’s obligations to the members of the Executive Board resulting from the performance share plan is reported in the amount of EUR 1.4 million (2020: EUR 0.0 million) under long-term provisions.

21 – Long- and short-term financial liabilities

Financial liabilities comprise the following amounts, recognized under the balance sheet items "Long-term financial borrowings": EUR 295.1 million (2020: EUR 411.6 million), "Short-term liabilities to financial institutions": EUR 138.7 million (2020: EUR 9.2 million) and "Current portion of long-term borrowings": EUR 0.9 million (2020: EUR 0.2 million).

Long-term financial borrowings include non-current liabilities from sale-and-leaseback transactions in the amount of EUR 1.5 million (2020: EUR 2.8 million). The current portion of long-term borrowings includes current liabilities from sale-and-leaseback transactions in the amount of EUR 0.1 million (2020: EUR 0.2 million). In 2021, the Group reported no losses from sale-and-leaseback transactions (2020: no losses).

The book values of financial liabilities developed as follows:

IN € MILLION

	Dec. 31, 2021	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	1.3	1.2	0.1	–
Promissory note (Schuldschein)	414.8	126.7	288.1	–
Investment "SpeedIn-vest"	0.9	0.9	–	–
Liabilities from sale-and-leaseback	1.6	0.1	1.5	–
Continuing involve-ment	15.2	9.8	5.4	–
Total	**433.8**	**138.7**	**295.1**	**–**

	Dec. 31, 2020	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	2.3	1.8	0.5	–
Promissory note (Schuldschein)	407.9	1.7	326.3	79.9
Investment "SpeedIn-vest"	1.5	1.2	0.3	–
Liabilities from sale-and-leaseback	3.0	0.2	2.8	–
Continuing involve-ment	6.3	4.5	1.8	–
Total	**421.0**	**9.4**	**331.7**	**79.9**

The following table shows the remaining contractual periods of the financial liabilities at December 31, 2021, together with the estimated interest payments. These are undiscounted gross amounts which include the estimated interest payments.

IN € MILLION

	Dec. 31, 2021	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	1.3	1.2	0.1	–
Promissory note (Schuldschein)	428.9	133.0	295.9	–
Outstanding payment investment "SpeedIn-vest"	0.9	0.9	–	–
Liabilities from sale-and-leaseback	3,4	1,5	1.9	–
Continuing involve-ment	15.3	9.8	5.5	–
Total	**449.8**	**146.4**	**303.4**	**–**

	Dec. 31, 2020	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	2.3	1.8	0.5	–
Promissory note (Schuldschein)	426.1	6.0	339.3	80.8
Outstanding payment investment "SpeedIn-vest"	1.5	1.2	0.3	–
Liabilities from sale-and-leaseback	3.1	0.2	2.8	0.1
Continuing involve-ment	6.3	4.5	1.8	–
Total	**439.3**	**13.7**	**344.7**	**80.9**

Borrowings from banks

Borrowings from banks include the following items:

BORROWINGS FROM BANKS

	Dec. 31, 2021 IN € MILLION	Interest rate as a percent-age	Interest rate type	Due dates
Money market loans in USD	0.8		variabel	< 1 Jahr
Loans in Brazilian re-als	0.4	12,0-13,0	variabel	< 1 Jahr
Loans in Brazilian re-als	0.1	12,0-13,0	variabel	>1 Jahr
Total	**1.3**			

	Dec. 31, 2020 IN € MILLION	Interest rate as a percent-age	Interest rate type	Due dates
Money market loans in USD	0.8		variable	< 1 year
Money market loans in EUR	0.4		variable	< 1 year
Loans in Brazilian re-als	0.6	12.0-13.0	variable	< 1 year
Loans in Brazilian re-als	0.5	12.0-13.0	variable	>1 year
Total	**2.3**			

Refer to item 33, "Risk management", in these Notes for information on the sensitivity of interest risks associated with variable-interest borrowings.

The following table lists the assured credit lines that were not utilized by Wacker Neuson SE:

IN € MILLION

	2021
First credit line EUR	50.0
Second credit line EUR	25.0
Third credit line EUR	20.0
Fourth credit line EUR	50.0
Fifth credit line EUR	20.0
Sixth credit line EUR	25.0
Seventh credit line EUR	25.0
Eighth credit line EUR	25.0
Ninth credit line USD	13.2
Tenth credit line EUR	50.0
Eleventh credit line EUR	15.0
Twelfth credit line BRL	1.9
Thirteenth credit line EUR	0.3
Fourteenth credit line ZAR	0.5
Fifteenth credit line EUR	0.3
Total	**321.2**

	2020
First credit line EUR	25.0
Second credit line EUR	20.0
Third credit line EUR	50.0
Fourth credit line EUR	20.0
Fifth credit line EUR	25.0
Sixth credit line EUR	25.0
Seventh credit line EUR	25.0
Eighth credit line EUR	65.0
Ninth credit line EUR	50.0
Tenth credit line EUR	15.0
Eleventh credit line EUR	0.7
Twelfth credit line EUR	5.0
Thirteenth credit line EUR	0.9
Fourteenth credit line EUR	1.0
Fifteenth credit line EUR	0.3
Sixteenth credit line ZAR	< 0,1
Seventeenth credit line ZAR	0.5
Eighteenth credit line TRY	< 0,1
Total	**328.4**

The fair value for the promissory notes (Schuldschein) in euros and US dollars amounted to EUR 419.0 million at December 31, 2021 (2020: EUR 371.5 million) (measurement of fair value at hierarchy level 3). All other fair values of financial liabilities largely correspond to the book values.

Promissory note (Schuldschein)

In light of the present economic uncertainty related to the COVID-19 pandemic, Wacker Neuson SE further increased its liquidity reserves as a precautionary measure on August 13, 2020. To do this, the company successfully placed a promissory note (Schuldschein) in the amount of EUR 50 million with institutional investors.

On May 6, 2019, Wacker Neuson SE placed a promissory note (Schuldschein) in the amount of EUR 150 million. The promissory note (Schuldschein) was issued in two tranches of five and seven years, each with fixed interest rates and at attractive conditions. This has secured the long-term financing basis needed for the Group's growth plans set out in its Strategy 2022 initiative.

One tranche of a promissory note (Schuldschein) was also issued in fiscal 2017:

	Dec. 31, 2021 Repayment amount	Dec. 31, 2021 Transaction fees	Dec. 31, 2021 Total nominal value	Dec. 31, 2021 Interest rate as a %	Due date
Promissory note (Schuldschein) in € – Tranche I	125.0	0.1	124.9	0.69	February 2022
Promissory note (Schuldschein) in € – Tranche II	50.0	0.1	49.9	1.20	August 2023
Promissory note (Schuldschein) in € – Tranche III	70.0	0.1	69.9	0.65	May 2024
Promissory note (Schuldschein) in € – Tranche IV	80.0	0.1	79.9	0.99	May 2026
Total, € MILLION	**325.0**	**0.4**	**324.6**		
Promissory note (Schuldschein) in USD – Tranche I	77.5	0.1	77.4	3.97	March 2023
Promissory note (Schuldschein) in USD – Tranche II	22.5	–	22.5	4.24	March 2025
Total, USD MILLION	**100.0**	**0.1**	**99.9**		

Liquid funds payable from the promissory note (Schuldschein) in euros refer to annual interest through 2022 on the first tranche in the amount of EUR 0.9 million and a repayment of EUR 125.0 million to be made on February 28, 2022. For the second tranche, annual interest payments in the amount of EUR 0.6 million are to be made through 2023 and a repayment in the amount of EUR 50.0 million is due on August 24, 2023. For the third tranche, annual interest payments in the amount of EUR 0.5 million are to be made through 2024 and a repayment in the amount of EUR 70.0 million is due on May 8, 2024. For the fourth tranche, annual interest payments in the amount of EUR 0.8 million are to be made through 2026 and a repayment in the amount of EUR 80.0 million is due on May 8, 2026.

Liquid funds payable from the promissory note (Schuldschein) in US dollars refer to annual interest through 2023 on the first tranche in the amount of USD 3.1 million and a repayment of USD 77.5 million to be made on March 2, 2023. For the second tranche, annual interest payments in the amount of USD 1.0 million are to be made through 2025 and a repayment in the amount of USD 22.5 million is due on March 3, 2025.

The first tranche of the promissory note (Schuldschein) in US dollars comprises a nominal value of USD 25.0 million, bearing variable interest under the 3-month US dollar LIBOR rate plus a bank margin of 1.25 percent. The interest rate will be transitioned as per the IBOR reform in fiscal 2022. The Group does not anticipate any material effect from the transition.

The second tranche of the promissory note (Schuldschein) in US dollars comprises a nominal value of USD 15.0 million, bearing variable interest under the 3-month US dollar LIBOR rate plus a bank margin of 1.45 percent. The interest rate will be transitioned as per the IBOR reform in fiscal 2022. The Group does not anticipate any material effect from the transition.

Floating rates for both tranches of the promissory note (Schuldschein) in US dollars are hedged with the interest rate swap.

Financial covenants

There are no covenants or collateral for existing financial instruments.

22 – Trade payables

As of December 31, 2021, trade payables (at book value) were broken down as follows:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Trade payables	**230.5**	**137.1**
Book value due < 30 days	169.7	104.6
Book value due 30 – 90 days	59.5	31.2
Book value due > 90 days	1.3	1.3

Interest does not accrue on trade payables. In view of the renewed increase in production volumes, trade payables increased significantly in 2021, reaching EUR 230.5 million (2020: EUR 137.1 million). Trade payables were at a low level in 2020 due to reduced production volumes attributable to the impact of the COVID-19 pandemic. The recognized carrying amount of trade payables corresponds to fair values due to the short term to maturity.

23 – Other current liabilities

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Other accruals/deferrals	29.7	22.0
Servicing for the ABS-program	28.9	–
Debtors with credit balances	7.1	6.2
Derivatives	5.9	7.0
Misc. other current financial liabilities	3.0	3.3
Other current financial liabilities	**74.6**	**38.5**
Other tax accruals/deferrals and tax liabilities	4.1	6.6
Personnel accruals/deferrals	34.9	28.6
Sales tax liabilities	13.2	13.7
Other current non-financial liabilities	**52.2**	**48.9**
Total	**126.8**	**87.4**

The other accruals/deferrals mainly consist of outstanding invoices. The fair values of current financial liabilities are reasonable approximations of the book values.

Under the ABS program, Wacker Neuson continues to perform servicing for sold receivables (→ page 133). At the reporting date for the fiscal year under review, payments in the amount of EUR 28.9 million (2020: EUR 0.0 million) had not yet been transferred to the ABS program's partner bank.

24 – Contract liabilities

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Extended warranties	6.4	4.7
Down-payments received	2.2	2.5
Prepaid services	3.7	2.9
Total	**12.3**	**10.1**

IN € MILLION

	Short-term (< 1 year)	Long-term (> 1 year)	Total on Dec. 31, 2021
Contract liabilities			
Extended warranties	2.3	4.1	6.4
Down-payments received	2.2	-	2.2
Prepaid services	1.0	2.7	3.7
Total	**5.5**	**6.8**	**12.3**

	Short-term (< 1 year)	Long-term (> 1 year)	Total on Dec. 31, 2020
Contract liabilities			
Extended warranties	1.6	3.1	4.7
Down-payments received	2.5	-	2.5
Prepaid services	1.0	1.9	2.9
Total	**5.1**	**5.0**	**10.1**

Of the contract liabilities reported in the balance sheet in the previous year, EUR 5.1 million (2020: EUR 5.5 million) have been recognized as revenue in the year under review.

25 – Derivative financial instruments

The Group uses FX forwards / forward currency contracts (currency derivatives) and interest rate swaps. Refer to item 29, "Additional information on financial instruments" on page 130 ff. for the accounting treatment. The nominal amounts and fair values of derivative financial instruments (interest rate swaps and currency derivatives) are recognized as follows:

IN € MILLION	Dec. 31, 2021 Nominal value	Dec. 31, 2021 Market value	Dec. 31, 2020 Nominal value	Dec. 31, 2020 Market value
Assets				
Currency hedges	9.5	0.2	91.5	2.1
Total	**9.5**	**0.2**	**91.5**	**2.1**
Liabilities				
Currency hedges	112.9	4.6	68.2	4.5
Interest rate swap	35.3	1.3	32.6	2.5
Total	**148.2**	**5.9**	**100.8**	**7.0**

Refer to item 29, "Additional information on financial instruments", in these Notes for information regarding net profits and losses from these financial instruments. The interest rate will be transitioned as per the IBOR reform in fiscal 2022. The Group does not anticipate any material effect from the transition.

IN € MILLION	Up to 1 year Nominal value	1 to 5 years Nominal value	Over 5 years Nominal value
Assets			
Currency hedges	9.5	–	–
Total	9.5	–	–
Liabilities			
Currency hedges	72.2	–	–
Interest rate swap	17.7	17.6	–
Total	**89.9**	**17.6**	**–**

26 – Lease liabilities

The Group rents various buildings for branch offices and warehouses as well as office buildings, facilities and vehicles. Rental contracts are generally concluded for fixed terms of three to ten years. Some contracts, however, may contain extension options. These are outlined in the "Material discretionary decisions, estimates and assumptions" section below. Rent conditions are negotiated on a case-by-case basis and include a wide range of different terms. Leases do not contain any credit conditions. However, leased assets may not be used as security for taking out loans.

The Group has also entered into lease agreements for leased assets with a term of twelve months or less, and for low-value office equipment. The Group applies to these leases the practical expedients applicable to short-term leases and to leases involving low-value assets.

A detailed explanation of right-of-use lease assets for fiscal 2021 is provided separately under item 8, "Property, plant and equipment", in these Notes. We refer to this section to avoid duplicating information.

The following table shows the book values of lease liabilities and the changes during the reporting period:

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
As at Jan. 1	**82.8**	**92.1**
Exchange rate differences	-1.1	-0.3
Additions	19.3	22.2
Disposals	-5.4	-7.8
Interest expense	2.0	2.6
Payments	-25.0	-26.0
As at Dec. 31	**72.6**	**82.8**
Of which short-term	22.2	25.7
Of which long-term	50.4	57.1

The book values of lease liabilities by term were as follows:

IN € MILLION	Dec. 31, 2021	Up to 1 year	1 to 5 years	Over 5 years
Lease liabilities (incl. sale-and-leaseback before 2019)	72.6	22.2	36.5	13.9

IN € MILLION	Dec. 31, 2020	Up to 1 year	1 to 5 years	Over 5 years
Lease liabilities (incl. sale-and-leaseback before 2019)	82.8	25.7	41.8	15.3

The Group's lease liabilities have the following maturities. The figures are based on contractual, undiscounted payments.

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
Up to 3 months	6.4	7.3
3 to 12 months	16.3	17.4
1 to 5 years	40.5	47.9
Over 5 years	15.5	17.1
Total	**78.7**	**89.7**

The following amounts were recognized in the income statement in the reporting period:

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
Depreciation expense on right-of-use assets	21.2	22.5
Interest expense on lease liabilities	2.0	2.6
Income from subleasing right-of-use-assets, reported under other income	0.1	0.1
Expense for short-term leases (included in cost of sales)	–	0.1
Expense for short-term leases (included in sales and service expenses)	0.1	–
Expense for short-term leases (included in general and administrative expenses)	–	–
Expense for leases on low-value assets (included in cost of sales)	0.1	0.2
Expense for leases on low-value assets (included in sales and service expenses)	0.1	0.1
Expense for leases on low-value assets (included in general and administrative expenses)	0.2	0.2
Variable lease payments	0.2	0.1
Total recognized in the income statement	**24.0**	**25.7**

The Group's cash outflow for leases in 2021 amounted to EUR 24.5 million (2020: EUR 25.1 million). Furthermore, the Group recorded non-cash additions to right-of-use assets and lease liabilities in 2021 amounting to EUR 19.3 million (2020: EUR 22.2 million).

The following table shows the undiscounted potential future lease payments for periods after the exercise date of extension options not included in the lease term.

IN € MILLION	Within five years	Over five years	Total Dec. 31, 2021
Extension options where exercise is not expected	1.1	20.8	21.9

IN € MILLION	Within five years	Over five years	Total Dec. 31, 2020
Extension options where exercise is not expected	1.7	20.8	22.5

The Group has signed a number of leases that had not yet commenced on December 31, 2021. Future lease payments for these non-cancelable leases amount to EUR 0.3 million for the next year (2020: EUR 0.3 million), EUR 1.0 million for years two to five (2020: EUR 1.0 million), and EUR 0.9 million thereafter (2020: EUR 0.9 million).

Other information

27 – Contingent liabilities

Contingent liabilities, on the one hand, represent possible obligations that may be incurred depending on the occurrence of a future event or events which are of an uncertain nature and not wholly within the control of the company. On the other hand, contingent liabilities represent present obligations for which payment is not probable or the amount of the obligation cannot be determined with sufficient reliability.

The Group has undersigned the following guarantees:

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
Guarantees	0.4	0.2

28 – Other financial liabilities

a) Obligations

The terms of the obligations for service and maintenance contracts are as follows:

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
Obligations due within 1 year	22.5	17.4
Obligations due in 1 to 5 years	5.9	13.3
Obligations due in more than 5 years	0.1	0.3
Total	**28.5**	**31.0**

The decrease in obligations for service and maintenance contracts by EUR 7.7 million to EUR 23.3 million is mainly due to the reduction in contracts due to restructuring measures.

b) Obligations resulting from investment decisions / take-back and purchase commitment obligations

Financial obligations ensuing from construction and investment projects amounting to EUR 1.6 million (2020: EUR 0.8 million) and from take-back obligations amounting to EUR 14.9 million (2020: EUR 48.5 million) have been recognized. The reduction in take-back obligations resulted from the early repayment of non-current receivables. Based on historical experience and on the current market situation, the Group considers the probability of its take-back obligations to be insignificant. Therefore, no refund liabilities or right-of-return assets are recorded.

In addition, unconditional purchase commitments amounting to EUR 385.5 million (2020: EUR 212.3 million) are in place. The increase of EUR 173.2 million is due to the high level of orders in the production plants.

c) Legal proceedings and court cases

In the course of its normal activities, the company is exposed to judicial and extrajudicial proceedings from time to time. The outcome of these proceedings often depends on an uncertain future event and cannot be predicted with certainty. The Group is involved in a number of individual cases where the outcomes are considered to be insignificant.

29 – Additional information on financial instruments

The book values and fair values of financial assets and liabilities are presented in the following table. It also shows how the individual items are categorized.

IN € MILLION

	2021 Fair value	2021 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Assets						
Investments	3.8	3.8	3.8	–	–	–
Other non-current financial assets	19.0	19.0	–	1.6	15.2	2.2
Trade receivables	237.9	237.9	–	–	237.9	–
Other current financial assets	158.4	158.4	0.2	–	155.8	2.4
Cash and cash equivalents	305.5	305.5	–	–	305.4	0.1

IN € MILLION

	2021 Fair value	2021 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Liabilities						
Long-term financial borrowings	299.5	295.1	–	–	295.1	–
Trade payables	230.5	230.5	–	–	230.5	–
Short-term liabilities to financial institutions	137.7	138.7	–	–	138.7	–
Current portion of long-term borrowings	0.9	0.9	–	–	0.9	–
Other short-term financial borrowings	74.6	74.6	3.9	2.0	68.7	–

IN € MILLION	2020 Fair value	2020 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Assets						
Investments	6.8	6.8	2.7	4.1	–	–
Other non-current financial assets	110.6	109.7	–	1.6	100.7	7.4
Trade receivables	222.4	222.4	–	–	222.4	–
Other current financial assets	45.5	45.5	2.1	–	33.2	10.2
Cash and cash equivalents	283.1	283.1	–	–	283.0	0.1

IN € MILLION	2020 Fair value	2020 Book value	Measured at fair value recognized in the income statement	Measured at fair value with changes recognized in equity	At amortized cost	Leases and others (book value)
Liabilities						
Long-term financial borrowings	427.4	409.8	–	–	409.8	–
Trade payables	137.1	137.1	–	–	137.1	–
Short-term liabilities to financial institutions	4.7	4.7	–	–	4.7	–
Current portion of long-term borrowings	0.2	0.2	–	–	0.2	–
Other short-term financial borrowings	38.5	38.5	4.5	2.5	31.5	–

The following table shows the net profits and losses from financial instruments based on valuation categories. It does not include any effects on income resulting from finance leases as these are not allocated to any valuation categories defined in IFRS 9. Similarly, interest and dividends have not been recognized on the net profits and losses from financial instruments.

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
At amortized cost	23.6	33.3
Measured at fair value recognized in the income statement	6.2	-3.2
Financial liabilities measured at amortized cost	-6.0	10.1

The net gain/loss from the category receivables valued “At amortized cost” results from provisions for expected losses on trade receivables.

The gains and losses from adjustments to the fair value of derivatives that do not meet hedge accounting criteria are included in the category of “measured at fair value recognized in the income statement”.

Total interest income (EUR 0.1 million; 2020: EUR 0.1 million) and total interest expense (EUR 7.3 million; 2020: EUR 8.2 million) were recognized for financial assets and liabilities (calculated using the effective interest rate method) that were not “measured at fair value recognized in the income statement”.

Financial instruments in the form of foreign currency trade receivables and payables are valued at the relevant spot rates applicable on the balance sheet dates. This results in income in the amount of EUR 3.2 million (2020: EUR 3.8 million expenses) which is reported in the financial result.

The Group uses derivative financial instruments, such as forward currency contracts, currency swaps and interest rate swaps, to hedge its foreign exchange risks and interest rate risks. Such derivative financial instruments are initially recognized at fair value at the date on which a derivative contract is entered into and are subsequently redesignated at fair value. The Group uses currency swaps to hedge exchange risks from loans issued internally by the holding company to its affiliates. The Group does not apply hedge accounting within the scope of IAS 39 to this area, as the effects from the hedging relationship are recognized through profit or loss in the financial result. In the period under review, financial assets in the amount of EUR 0.2 million (2020: EUR 2.1 million) were derived from positive market values. For negative market values, the Group recognized a financial liability in the amount of EUR 3.9 million (2020: EUR 4.5 million).

An interest rate swap was also concluded in fiscal 2019 to hedge the interest rate risk from the variable tranche of the promissory note (Schuldschein) in US dollars. The Group uses cash flow hedge accounting in accordance with IAS 39 for this purpose. This results in a financial liability of EUR 1.4 million (2020: EUR 2.5 million) at fair value.

In addition, the Group uses forward currency contracts to hedge the currency risk arising from future purchase transactions in foreign currencies. The Group uses cash flow hedge accounting in accordance with IAS 39 for this purpose. In this context, EUR 0.4 million (2020: EUR 0.0 million) is recognized directly in equity.

The table below shows the financial instruments subsequently designated at fair value. Refer to the section on accounting and valuation methods for information on how fair value is categorized (into hierarchical levels) in accordance with IFRS 13.

The methods and assumptions used to determine the fair values are as follows:

IN € MILLION	Level 1	Level 2	Level 3	Dec. 31, 2021
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	0.2	–	0.2
Hedged derivatives	–	–	–	–
Investments	–	–	3.8	3.8
Financial assets categorized “measured at fair value through other comprehensive income”				
Securities	1.6	–	–	1.6
Investments	–	–	–	–
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	3.9	–	3.9
Hedged derivatives	–	2.0	–	2.0

IN € MILLION	Level 1	Level 2	Level 3	Dec. 31, 2020
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	2.1	–	2.1
Hedged derivatives	–	–	–	–
Investments	–	–	2.7	2.7
Financial assets categorized “measured at fair value through other comprehensive income”				
Securities	3.5	–	–	3.5
Investments	–	–	4.1	4.1
Financial assets categorized “measured at fair value recognized in the income statement”				
Non-hedged derivatives	–	4.5	–	4.5
Hedged derivatives	–	2.5	–	2.5

Long-term fixed and floating rate receivables/borrowings are evaluated by the Group based on parameters including interest rates, certain country-specific risk factors, the creditworthiness of individual customers and the risk characteristics of the financed project. Based on this evaluation, allowances for doubtful accounts are made to account for the expected losses from these receivables. As of December 31, 2021, the book values of these receivables, less allowances for doubtful accounts, corresponded approximately to their calculated fair values.

The fair value of pension funds “measured at fair value through other comprehensive income” is derived from quoted prices on active markets.

In fiscal 2019, the Group acquired a minority shareholding in a company in North America in the amount of EUR 8.9 million (USD 10.0 million). The purpose of this was to strengthen its US sales network. As of December 31, 2020, this was recognized at a fair value of EUR 4.1 million. During the first half of 2021, this shareholding was sold in view of changes to the Group’s strategic focus in the North America region. The sale price of EUR 8.6 million (USD 10.4 million) is in this case the most reliable determination of the fair value of the investment. Prior to the sale, EUR 4.5 million was thus written up to fair value and the item was recognized in other income as “measured at fair value through other comprehensive income”. This investment was originally allocated to level 3 of the fair value hierarchy. Overall, valuation effects in previous years and in connection with this disposal resulted in a profit of EUR 0.3 million, which has now been reclassified from other neutral changes to net profit/loss. The shareholding is “measured at fair value through other comprehensive income” and reported under Assets, Investments.

The minority shareholding in Austria in the form of non-listed shares is allocated to level 3 of the fair value hierarchy in the amount of EUR 3.8 million (2020: EUR 2.7 million). The fair values of the non-listed shares were determined using the discounted cash flow method. The valuation requires external portfolio management to make certain assumptions regarding the inputs to the model, including forecasted cash flows from shares held within the portfolio, the discount rate, the default risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in external portfolio management’s estimate of fair value for these non-listed equity investments. The shareholding is “measured at fair value recognized in the income statement” and reported under Assets, Investments.

The Group concludes derivative financial instruments with various counterparties, principally financial institutions with a high credit rating. Derivatives valued by applying an evaluation process with inputs observable on the market primarily include forward exchange contracts. The most frequently used evaluation methods include forward price models using present value calculations. The models incorporate various inputs including the credit standing of the business partner, spot exchange rates, futures rates and forward exchange rates.

The fair values of the Group’s interest-bearing loans are determined using the discounted cash flow method. The discount rate used reflects the borrowing rate of the issuer at the close of the period under review. The Group’s own risk of non-performance was classified as low as of December 31, 2021.

Asset-backed transaction

In fiscal 2020, the Group concluded an agreement with a German financial institution for the bundled sale of receivables to a maximum volume of USD 150 million.

In this agreement, the purchase price is to be paid immediately upon sale minus a reserve withheld by the bank. The risk relevant for the risk assessment with regard to the sold receivables correspond to the credit risk (default risk). Wacker Neuson carries the credit risk-related defaults from the various tranches, in each case up to a specified amount; the other credit risk-related defaults are carried by the bank. As a result of the split in the material risks between Wacker Neuson and the banks, practically none of the risks and rewards associated with the sold receivables were transferred or retained (splitting material opportunities and risks between Wacker Neuson and the buyer). As of December 31, 2021, the continuing involvement of Wacker Neuson in this transaction amounted to EUR 15.2 million (2020: EUR 6.3 million). Liabilities to the bank in the same amount were reported as debt under this continuing involvement.

Wacker Neuson continues to perform receivables management (servicing) for the sold receivables. Buyers have the right to transfer servicing to a third party without justification. Although Wacker Neuson is not authorized to otherwise dispose of the sold receivables other than in its role of servicer, it retains the right of disposal for the sold receivables in light of the agreed first loss guarantees, as the acquiring bank does not have the actual ability to re-sell the acquired receivables.

When the receivable is sold, the fair value of the expected losses is expensed as incurred. Anticipated future payments are carried as a component of the associated liability.

Certain components of the purchase price are initially retained and, depending on the amount of the actual default on the receivables, are only paid out to Wacker Neuson at a later date. To the extent that subsequent receipt of such purchase price components is to be expected, they are capitalized at fair value.

Wacker Neuson continues to carry the sold trade receivables related to the above transactions in the amount of its continuing involvement, i.e. at the maximum amount at which Wacker Neuson Group retains liability for the credit risk and late payment risk inherent in the sold receivables, recognizing this as a liability in the corresponding amount disclosed under borrowings from banks. The receivables and the associated liability are subsequently derecognized to the extent that Wacker Neuson's continuing involvement is reduced (in particular when payments are made by customers). The carrying amount of the receivables is subsequently reduced by the extent to which the actual losses to be borne by Wacker Neuson resulting from the credit risk exceed the losses initially anticipated. This amount is recognized as an expense.

Further details on the initial financial transaction for the transfer of assets is included in the following table:

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Transferred assets		
End of contractual terms in year	2023	2023
Contractual maximum volume in USD	150.0	150.0
Sold receivables volume on balance sheet date	86.2	34.3
Range of sold receivables volume in year under review	86.2	34.3
Entitlements/obligations from receivables management	–	–
Continuing involvement		
Maximum credit risk (before credit insurance)	15.2	6.3
Total carrying amount of transferred receivables	86.2	34.3
Book value of assets still carried	15.2	6.3
Book value of associated liability	15.2	6.3
Fair value of the financial guarantee	0.8	0.3
Purchase price discounts, program fees, and pro-rata loss allocations recognized in income		
Recognized gains/losses	–	–
Income/expense in the current fiscal year	1.3	0.1
Income/expense accumulated since start of contract	1.4	0.1

30 – Events since the balance sheet date

At the start of the new fiscal year in 2022, the Wacker Neuson AS subsidiary in Hagan (Norway) was sold. The book value of assets and liabilities amounted to EUR 1.8 million. The proceeds from the sale amounted to EUR 2.2 million.

The current Russia/Ukraine crisis could have a significant impact on macroeconomic developments, in particular placing additional strain on commodity markets – which are already stressed. In addition, there is a risk of a dwindling willingness to invest among Group customers. At the start of March 2022, the Executive Board decided to suspend the delivery of equipment to Russia for the time being. As at December 31, 2021, the Russian sales affiliate within the Wacker Neuson Group had inventory in the amount of EUR 5.2 million and trade receivables in the amount of EUR 2.4 million. An impairment test will be performed in fiscal 2022. The Executive Board is keeping an eye on unfolding developments.

On March 10, 2022, Wacker Neuson SE reached an agreement with the majority shareholders of the Spanish company Enarco S.A. to acquire up to 100 percent of the shares in the Enar Group. Enar manufactures light construction equipment and specializes in concrete compaction. Alongside a wide range of internal vibrators for concrete, the company's product portfolio also covers vibratory plates, rammers and walk-behind rollers for soil and asphalt compaction. Subject to regulatory approval and the successful purchase of all shares from individual shareholders up to a defined threshold by Wacker Neuson SE, management expects to close the transaction during the first half of 2022. The purchase price will be in the low to mid double-digit million euro range.

No other events occurred which could have a material impact on the future business development of Wacker Neuson SE.

31 – Segmentation

Division and determination of operating segments

The internal organizational structure and management structure as well as the internal reports to the Executive Board and Supervisory Board, which are based on geographical segments, form the basis for determining the operating segments of the company. For information regarding geographical segmentation of affiliates, refer to the section on consolidation structure (see the general information on accounting standards / consolidation structure). According to this structure, the affiliates are geographically grouped into regional markets (Europe, Americas and Asia-Pacific). Turkey, Russia and South Africa are included in the Europe segment. Beyond geographical segmentation, reporting is also carried out internally according to business segments. This exclusively deals with revenue. Company management will therefore continue to focus on geographical segments. In the period under review, no segmentation changes were made.

Products and services of operating segments

The products and services offered by the geographical operating segments can be divided into light equipment, compact equipment and services.

The light equipment business segment covers the manufacture and sale of light equipment in the three business fields of concrete technology, compaction and worksite technology.

The compact equipment business segment focuses on the manufacture and sale of compact equipment.

The services business segment manages, amongst other things, the company's activities in the spare parts, maintenance and used equipment business fields as well as income from customer financing, rental solutions, the sale of third-party equipment and extended warranties.

Segment valuation methods

The intrasegment business transactions that were reported under EBIT for the individual segments are listed in the consolidation column. Non-current assets are reported according to key countries.

Segment valuation methods are based on the valuation methods used in internal reporting. Internal reporting is carried out exclusively in line with the applicable valid IFRS standard.

Transactions between the individual Group segments are based on prices that also apply to third-party transactions.

Reporting format

Segmentation is presented in the Notes to the Consolidated Financial Statements on → page 81 of this Annual Report.

Segment revenue and segment earnings, expressed as EBIT, are derived from internal reporting. Figures from the individual companies are added together to reach this EBIT figure. As the holding company, Wacker Neuson SE is allocated to the Europe segment. Expenses for the corporate services it provides are allocated in full to the individual regional reportable segments.

The consolidation column reflects the elimination of transactions affecting income that took place between operating segments. This primarily refers to the consolidation of intercompany profits and losses from the sale of goods.

Revenue from external customers, categorized according to products and services, is recognized at company level. In addition, revenue and non-current assets are reported according to key countries. No individual customer accounted for more than 10 percent of Group revenue.

32 – Cash flow statement

The cash flow statement is prepared in accordance with IAS 7. The cash flow statement reports cash flows resulting from operating activities, from investment activities as well as from financing activities. Insofar as changes in cash and cash equivalents are due to foreign exchange rate fluctuations, these are reported separately. The determination of cash flow from operating activities was derived using the indirect method.

Current liquid funds comprise liquid funds as reported on the balance sheet. Short-term borrowings from banks in the notional Group cash pool were offset against liquid funds.

Refer to item 16 in these Notes to see the breakdown of current liquid funds.

IAS 7.18 allows entities to report cash flows from operating activities using either the direct or indirect method. The Group presents its cash flows using the indirect method.

"Cash flow from investment activities" comprises the cash outlay for tangible and intangible assets less divestments.

"Cash flow from financing activities" contains payments received from shareholders, including interest paid, as well as payments made to them. It also contains payments resulting from borrowing and repayment of debt. The change in liabilities from financing activities comprises the following: "Other" includes the effects of reclassification of the non-current portion of financial and lease liabilities to current liabilities due to the passage of time, as well as disposals of lease liabilities.

	Jan. 1, 2021	Transfers	Cash flows	Continuing involve-ment	Foreign exchange movement	New leases (incl. sale-and-lease-back)	Other	Dec. 31, 2021
Short-term liabilities to financial institutions (Note 21)	9.2	125.7	-1.5	5.3	–	–	–	**138.7**
Current portion of long-term borrowings (Note 21)	0.2	1.3	-0.6	–	–	–	–	**0.9**
Short-term lease liabilities (Note 26)	25.7	21.5	-25.0	–	–	–	–	**22.2**
Long-term financial borrowings (Note 21)	411.6	-127.0	–	3.6	6.9	–	-–	**295.1**
Long-term lease liabilities (Note 26)	57.1	-21.5	–	–	-1.1	13.9	2.0	**50.4**
Total liabilities from financing activities	**503.8**	–	**-27.1**	**8.9**	**5.8**	**13.9**	**2.0**	**507.3**

	Jan. 1, 2020	Transfers	Cash flows	Continuing involve-ment	Foreign exchange movement	New leases (incl. sale-and-lease-back)	Other	Dec. 31, 2020
Short-term liabilities to financial institutions (Note 21)	112.4	–	-107.4	4.0	–	–	0.2	**9.2**
Current portion of long-term borrowings (Note 21)	0.5	–	–	–	–	-0.3	–	**0.2**
Short-term lease liabilities (Note 26)	25.2	26.5	-26.0	–	–	–	–	**25.7**
Long-term financial borrowings (Note 21)	372.4	–	50.0	-1.1	-7.5	–	-2.2	**411.6**
Long-term lease liabilities (Note 26)	66.9	-26.5	–	–	-0.3	17.0	–	**57.1**
Total liabilities from financing activities	**577.4**	–	**83.4**	**3.4**	**-7.8**	**16.7**	**-2.0**	**503.8**

33 – Risk management

Capital management

A key aim of the Group's capital management policy is to maintain a high equity ratio to support its business activities.

The Group actively controls and modifies its capital structure in line with changing market dynamics. The goal of the capital management policy is to secure the Group's business and investment activities in the long term. To maintain a suitable capital structure, the Group can propose changes to dividend payments to shareholders or issue new shares. As at December 31, 2021 and December 31, 2020 respectively, no changes were made to objectives, guidelines or procedures within the framework of the capital structure control policy. The Group monitors its capital using net financial debt resulting from current net financial liabilities and non-current financial liabilities as an indicator.

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Current financial liabilities	139.6	9.4
Short-term financial liabilities	138.7	9.2
Current portion of long-term financial liabilities	0.9	0.2
Non-current financial liabilities	295.1	411.6
Total equity before minority interests	1,288.0	1,218.1
Total capitalization	**1,722.7**	**1,639.1**

IN € MILLION

	Dec. 31, 2021	Dec. 31, 2020
Current net financial liabilities	**-165.9**	**-273.7**
Short-term liabilities	139.6	9.4
plus liquid funds	-305.5	-283.1
Net financial debt	**129.2**	**137.9**
Current net financial liabilities	-165.9	-273.7
plus non-current financial liabilities	295.1	411.6

Financial risk factors

Due to the global scope of its operations, the Group is exposed to various financial risks, including foreign currency risks, credit risks, liquidity risks and interest rate risks. The comprehensive risk management policy of the Group is focused on the unpredictability of developments in financial markets and aims to minimize any potential negative impact on the Group's financial position. It is a general policy of the company to reduce these risks by systematic financial management. In particular, the Group employs selective derivative financial instruments to hedge against certain risks.

The Group finance department is responsible for risk management in accordance with the rules and guidelines approved by the Executive Board. It identifies, evaluates and hedges against financial risks in close co-operation with the operating units of the Group. The Executive Board sets guidelines for risk management as well as fixed policies for specific areas of risk. These include dealing with foreign currency risks, interest rate risks and credit risks.

The guidelines also specify how derivative and other financial instruments and liquidity surpluses are to be used.

Currency risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The Group manages its foreign currency risk by hedging at least 50 percent of all transactions that are expected to occur within a maximum 12-month period for hedges of forecasted purchases.

When a derivative is entered into for the purpose of being a hedge, the Group negotiates the terms of the derivative to match the terms of the hedged exposure. For hedges of forecast transactions, the derivative covers the period of exposure from the point the cash flows of the transactions are forecasted up to the point of settlement of the resulting receivable or payable that is denominated in the foreign currency.

The Group hedges its exposure to fluctuations on the translation into euros of its foreign operations by holding net borrowings in foreign currencies and by using foreign currency swaps and forwards.

If the USD/EUR exchange rate increased or decreased by 5 percent, changes in the financial assets and liabilities reported in the balance sheet in US dollars would have the following impact on earnings before taxes and equity:

	2021	2020
USD currency trends as a %	+5.00/-5.00	+5.00/-5.00
Impact on profit before tax (EBT) in € K	-7.1/7.9	-1.8/2.0
Impact on equity in € K	-9.7/10.7	-4.2/4.6

In 2021, the average EUR/USD exchange rate was EUR 1 to USD 1.18 (2020: EUR 1 to USD 1.14).

The Group is also subject to currency risks from individual transactions resulting from purchases and sales executed by a Group member in a currency other than the functional currency.

Credit risks

The Group is not exposed to any material credit risks (default risks). Contracts for derivative financial instruments and financial transactions are concluded only with financial institutions with a high credit rating in order to keep the risk of default by the contracting party as low as possible. The book value of financial assets recognized in the Consolidated Financial Statements represents the maximum default risk. Refer to item 29, "Additional information on financial instruments", in these Notes for further information on the book value of financial assets.

Continued weakness on construction and financial markets in some countries may present certain Group customers with financial difficulties, possibly culminating in insolvency. This would lead to a rise in accounts receivable and a subsequent increased risk of default. The Group is counteracting the risk of changes in individual customers' payment patterns through its active accounts receivable management policy, partner "health checks" and tools such as credit hedging. These are in place for a volume of EUR 667.9 million and reimburse approx. EUR 18.2 million of the nominal value in case of default.

Interest rate risks

Interest rate risks are caused by market fluctuations in interest rates. On the one hand, they impact the amount of interest payments for which the Group is liable. On the other hand, they influence the fair value of financial instruments.

The following balance sheet items include floating rate cash and cash equivalents, and liabilities which are subject to interest rate risks.

IN € MILLION	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents	305.5	283.1
Long-term borrowings	295.1	411.6
Short-term borrowings	138.7	9.2
Current portion of long-term borrowings	0.9	0.2
	740.2	**704.1**

The following table demonstrates the sensitivity of the Group's earnings before taxes to a reasonably possible change in interest rates based on the impact on floating rate loans and cash and cash equivalents.

The fixed-interest promissory note (Schuldschein) was not included when calculating the impact on earnings. Refer to item 21, "Long- and short-term financial liabilities", for further information.

The effects on Group earnings before taxes also reflect the impact on equity.

IN € MILLION

	2021	2020
Increase in interest rates of 0.2%	-0.8	-0.9
Decrease in interest rates of 0.2%	0.8	0.9

From the valuation of the interest rate swap for hedging the variable part of the promissory note (Schuldschein) in US dollars, losses in the amount of EUR 1.3 million (2020: EUR 2.7 million) are recognized directly in equity. If the 3-month US dollar LIBOR changes by +/- 0.5 percentage points, an additional effect of +/- EUR 0.5 million (2020: + / - 0.6) would result in other income.

The future changes resulting from the IBOR reform could have a corresponding impact on the consolidated financial statements. Depending on the final determination of the base rate, this will affect the current hedge relationship. From the current point of view, it is not possible to reliably forecast the impact. However, the Group assumes that these changes will not have any material effects due to the transitional provisions and their practical expedients.

Liquidity risks

Liquidity risks involve the availability of funds needed to meet payment obligations on time. The company is assured of a supply of liquid funds at all times by lines of credit it is not currently using. Liquidity is managed by the central treasury department using a Group-wide cash pool system. Refer to item 21, “Long- and short-term financial liabilities”, in these Notes for further information – also on existing credit lines and financial covenants.

34 – Executive bodies

Executive Board

In the year under review, the Executive Board comprised the following members:

- Dr. Karl Tragl, CEO, responsible for strategy, M&A, investor relations & corporate communication, sustainability, HR, legal matters & compliance, real estate (from June 1, 2021) and Business Process Management (from January 1, 2022)
- Felix Bietenbeck, CTO/COO, responsible for production, quality, supply chain management, procurement, research & development and regional responsibility “Americas”
- Christoph Burkhard, CFO, responsible for finance (incl. tax), controlling & risk management, auditing, IT (incl. data privacy), and sales financing (from June 1, 2021) and Integrated Business Planing (from January 1, 2022)
- Alexander Greschner, CSO, responsible for sales, aftermarket and marketing, strategy / M&A (from January 1, 2021 till May 31, 2021) and regional responsibility “APAC” (from January 1, 2022)
- Mag. Kurt Helletzgruber, CEO / CFO, responsible for investor relation & sustainability, HR & corporate communication, legal matter & compliance, real estate, finance (incl. tax and treasury), controlling & risk management, auditing, IT (incl. data privacy) and sales financing (up to May 31, 2021)

The following members of the Executive Board have a supervisory board position or a seat on comparable supervisory committees for German or foreign companies:

- Felix Bietenbeck: Wilh. Wülfing GmbH & Co KG, Borken, Chairman of the Advisory Board
- Christoph Burkhard: Advyce GmbH, München, Member of the Supervisory Board

Supervisory Board

The following are members of the Supervisory Board of Wacker Neuson SE or were Supervisory Board members during the year under review:

- Johann Neunteufel, Chairman of the PIN Private Trust (PIN Privatstiftung), Linz, Austria; Chairman of the Supervisory Board
- Mag. Kurt Helletzgruber, member of the Executive Board of the PIN Private Trust (PIN Privatstiftung), Linz, Austria (returned from the Executive Board from June 1, 2021)
- Christian Kekelj, Chairman of the Central Works Council, Chairman of the Munich Works Council, Maisach, Germany
- Prof. Dr. Matthias Schüppen, attorney at law, auditor, tax advisor and partner at the Graf Kanitz, Schüppen & Partner law firm, Stuttgart, Germany
- Elvis Schwarzmair, Chairman of the Works Council, Chairman of the Group Works Council and SE Works Council, Rohrbach, Germany
- Ralph Wacker, civil engineer and managing partner of wacker+mattner GmbH, Munich, Germany; Deputy Chairman of the Supervisory Board

In accordance with the Articles of Incorporation, the terms of office of the Supervisory Board members listed above will run until the close of the AGM that tables a resolution to formally approve the actions taken by Wacker Neuson SE during fiscal 2024. The terms may be no longer than six years.

The following members of the Supervisory Board have additional supervisory board positions or seats on comparable supervisory committees for German or foreign companies:

- Prof. Dr. Matthias Schüppen, Member of the Supervisory Board of Syntellix AG, Hanover, Germany

Refer to item 35, “Related party disclosures”, in these Notes for information on the remuneration of the Executive Board and Supervisory Board, as well as remuneration of former Board members.

35 – Related party disclosures

For the Group, related party disclosures within the meaning of IAS 24 generally refers to shareholders and entities over which shareholders have control or significant influence (sister companies, members of the Executive Board and members of the Supervisory Board).

Key trade relations with related parties during the period under review were as follows:

IN € MILLION

	Current receivables Dec. 31, 2021	Current payables Dec. 31, 2021	Expenses for business transactions 2021	Income for business transactions 2021
Relations with shareholders	–	0.3	1.3	0.1
Relations with sister companies	–	–	0.2	–
Total	**–**	**0.3**	**1.5**	**0.1**

IN € MILLION

	Current receivables Dec. 31, 2020	Current payables Dec. 31, 2020	Expenses for business transactions 2020	Income for business transactions 2020
Relations with shareholders	–	–	0.9	0.1
Relations with sister companies	–	0.1	0.5	0.1
Total	**–**	**0.1**	**1.4**	**0.2**

Relations with shareholders resulted mainly from goods and services traded with a shareholder; namely Wacker Werke GmbH & Co. KG, a competence center for concrete compaction. The goods and services delivered to this shareholder were valued at EUR 0.1 million (2020: EUR 0.1 million). These were counterbalanced with goods and services received from the shareholder to the value of EUR 1.3 million (2020: EUR 0.9 million). The goods and services were traded under the terms customary in the market, as also agreed with third parties.

Relations with sister companies and entities over which shareholders have control or significant influence result mainly from the delivery of products and services and from rental arrangements between affiliates and entities over which shareholders have control or significant influence. The goods and services were traded under the terms customary in the market, as also agreed with third parties.

Remuneration expenses for active Executive Board members recognized according to IFRS during the fiscal year under review can be broken down as follows:

IN MIO. €

	2021	2020
Kurzfristig fällige Leistungen	3.7	2.8
Leistungen nach Beendigung des Arbeitsverhältnisses	0.6	0.6
Andere langfristige Leistungen	0.1	–
Leistungen aus Anlass der Beendigung des Arbeitsverhältnisses	–	3.3
Anteilsbasierte Vergütungen	1.4	–
	5.8	**6.7**

For the first time in fiscal 2021, share-based payments in the form of virtual performance shares were awarded to Executive Board members. The fair value of these share-based payments amounted to EUR 1.4 million with 61,389 shares awarded.

At the closing date, short-term payables to the Executive Board were outstanding in the amount of EUR 1.8 million (2020: EUR 2.2 million), as were other long-term payables in the amount of EUR 1.6 million (2020: EUR 2.2 million).

Pension agreements are in place for members of the Executive Board (including members who stepped down during the current fiscal year). The present value of pension obligations at the end of the fiscal year amounted to EUR 1.1 million (2020: EUR 10.8 million).

Total Executive Board remuneration as defined by Section 314 (1) no. 6a HGB amounted to EUR 5.0 million (2020: EUR 3.0 million).

Former Executive Board members and their surviving dependents received remuneration as defined by Section 314 (1) no. 6b HGB to the total amount of EUR 2.5 million (2020: EUR 5.0 million).

Pension agreements are also in place for former members of the Executive Board. The value of these pension obligations at the end of the fiscal year came to EUR 44.4 million (2020: EUR 39.2 million).

A total amount of EUR 0.5 million (2020: EUR 0.4 million) was paid in remuneration to Supervisory Board members during the year under review.

Refer to the remuneration report for further information on remuneration payable to active members of the Executive Board and the Supervisory Board.

36 – Share-based payments

In 2021, the Supervisory Board adopted a new remuneration system for the Executive Board, which includes a performance share plan. Under this plan, virtual shares in Wacker Neuson SE are conditionally allocated to the Executive Board members in annual tranches at the beginning of performance periods, each of which lasts four years. At the end of the four-year performance period, payout amounts are determined based on the number of virtual shares allocated in each case, taking into account the current share price of Wacker Neuson SE and the extent to which targets defined in advance were achieved. The first tranche, approved by the Supervisory Board for the Executive Board members on March 18, 2021, commenced retroactively with effect from January 1, 2021.

In accordance with legal requirements, details of the remuneration system and performance share plan are publicly available on the company website at the following address: https://wackerneusongroup.com/en/investor-relations/corporate-governance/remuneration-system-for-the-members-of-the-executive-board. Further information is available in the remuneration report.

The performance share plan is to be classified as a cash-settled share-based payment. It is therefore accounted for at fair value in accordance with IFRS 2 *Share-based Payment*. The fair value of the cash incentive payable to Executive Board members is remeasured at each reporting date and at the settlement date and recognized as a personnel expense through a corresponding increase or decrease in provisions.

At the reporting date of December 31, 2021, the total carrying amount (fair value) of provisions for the share-based remuneration component was EUR 1.4 million (previous year: EUR 0.0 million), distributed across 61,387.90 (previous year: 0) virtual shares.

Simulation of the capital market and share price-oriented indicators required, namely total shareholder return on the SDAX, total shareholder return on the Wacker Neuson SE share, and the future share price required to convert the final performance shares into a payout amount, is based in each case on the same method as the Black-Scholes model for pricing (European) stock options. The extension to include dividend payments during the forecasting window was applied.

At the valuation date of December 31, 2021, the following parameters were used to determine the capital market and share price-oriented indicators:

Interest rate	Based on basis yield curves for instruments with similar terms
Dividend yield	As an arithmetic average of the expected dividend per share for the years 2022 to 2024 in relation to the closing price of the Wacker Neuson SE share on December 31, 2021, based on analyst estimates
Volatility	Historical volatility patterns over 60-day stock market averages based on XETRA prices applied to the relevant remaining term
Simulation period	Corresponds to the remaining term of the performance period from January 1, 2022 to December 31, 2024

37 – Auditor’s fee

The fee for the auditor and associated companies is disclosed as an expense in fiscal 2021 and is broken down as follows:

IN € MILLION	2021	2021	2020	2020
	Auditor and associated companies	Of which auditor	Auditor and associated companies	Of which auditor
Auditing services	1.6	1.0	1.5	0.9
Other approval and assessment services	0.1	0.1	-	-
Tax consultation services	0.1	0.1	0.1	0.1
Other services	-	-	-	-

38 – Declaration regarding the German Corporate Governance Code

The Executive Board and Supervisory Board have issued a declaration stating which recommendations from the Government Commission on the German Corporate Governance Code have been and are being adopted. The declaration can be accessed at any time from the Group website at → www.wackerneusongroup.com.

39 – Availing of exemption provisions according to Section 264 (3) and/or Section 264b HGB

The following fully consolidated domestic affiliates avail of the exemptions set down in Section 264 (3) HGB and/or Section 264b HGB for fiscal 2021:

Company name	City
Kramer-Werke GmbH	Pfullendorf
Wacker Neuson Produktion GmbH & Co. KG	Reichertshofen
Wacker Neuson Vertrieb Deutschland GmbH & Co. KG	Munich
Wacker Neuson Aftermarket & Services GmbH	Munich
Weidemann GmbH	Korbach
Wacker Neuson Immobilien GmbH	Überlingen

Munich, March 24, 2022

Wacker Neuson SE, Munich

The Executive Board

Dr. Karl Tragl
Chairman of the Executive Board
Chief Executive Officer (CEO)

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Christoph Burkhard
Chief Financial Officer (CFO)

Alexander Greschner
Chief Sales Officer (CSO)

Responsibility statement by the management

"To the best of our knowledge, and in accordance with the applicable reporting principles, the Consolidated Financial Statements give a true and fair view of the assets, financials and profit of the Wacker Neuson Group, and the Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Wacker Neuson Group and of the parent company Wacker Neuson SE, together with a description of the principal opportunities and risks associated with the expected development of the Wacker Neuson Group and of the parent company Wacker Neuson SE."

Munich, March 24, 2022

Wacker Neuson SE, Munich

The Executive Board

Dr. Karl Tragl
Chairman of the Executive Board
Chief Executive Officer (CEO)

Felix Bietenbeck
Chief Operations Officer (COO)
Chief Technology Officer (CTO)

Christoph Burkhard
Chief Financial Officer (CFO)

Alexander Greschner
Chief Sales Officer (CSO)

Independent Auditor's Report

Translation of the German independent auditor's report concerning the audit of the Consolidated Financial Statements and Group Management Report prepared in German. The auditor's report reproduced below also includes a "Report on the assurance in accordance with Section 317 (3b) HGB on the electronic reproduction of the Consolidated Financial Statements and the Group Management Report prepared for publication purposes" ("ESEF Report"). The subject matter underlying the ESEF Report (ESEF documents to be audited) is not attached. The audited ESEF documents can be viewed in or retrieved from the Federal Gazette.

To Wacker Neuson SE

Report on the audit of the Consolidated Financial Statements and of the Group Management Report

Opinions

We have audited the Consolidated Financial Statements of Wacker Neuson SE, Munich, and its subsidiaries (the Group), which comprise the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the fiscal year from January 1, 2021 to December 31, 2021, the Consolidated Balance Sheet as of December 31, 2021, the Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement for the fiscal year from January 1, 2021 to December 31, 2021, and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of Wacker Neuson SE, which has been combined with the management report of Wacker Neuson SE, for the fiscal year from January 1, 2021 to December 31, 2021. We have not audited the content of the parts of the Group Management Report specified in the appendix to the auditor's report and the company information stated therein that is provided outside of the annual report and is referenced in the Group Management Report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying Consolidated Financial Statements comply, in all material respects, with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the additional requirements of German commercial law pursuant to Section 315e (1) HGB ("Handelsgesetzbuch": German Commercial Code) and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as of December 31, 2021 and of its financial performance for the fiscal year from January 1, 2021 to December 31, 2021, and

- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group Management Report does not cover the content of the parts of the Group Management Report specified in the appendix to the auditor's report.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the Consolidated Financial Statements and of the Group Management Report.

Basis for the opinions

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany: IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the Consolidated Financial Statements and on the Group Management Report.

Key audit matters in the audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated Financial Statements for the fiscal year from January 1, 2021 to December 31, 2021. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1) Revenue recognition and deferred revenue

Reasons why the matter was determined to be a key audit matter: Group revenue consists of revenue from the sale of light and compact construction equipment including used machines, the rental of machines within Europe as well as the sale of replacement parts and repair services. Distribution is also performed by sales partners; particularly dealers, rental companies and strategic partners with whom cooperation agreements are in place. In the US, in particular, the Group works with “anchor dealers”, which in turn have a larger number of locations and branches. Due to the wide range of products, various sales channels and service offerings, including a variety of customer financing options and customer bonuses as well as warranty terms, there is a risk of incorrect recognition of revenue both in terms of the amount recognized and the timing. In particular, the financing models used by dealers in the US raise questions regarding the timing of revenue recognition. This relates to prepaid volume bonuses as well as the identification of financing components as regards payments terms. In addition, revenue is a key performance indicator. In light of this, revenue recognition and deferred revenue was considered to be a key audit matter.

Auditor’s response: As part of our audit procedures, we analyzed the accounting policies applied in the Consolidated Financial Statements in accordance with Group accounting guidance for revenue recognition based on the criteria defined in IFRS 15.

We gained an understanding of the processes implemented by the executive directors for the recognition of revenue including deferred financing components, expected extended warranties and prepaid volume bonuses by examining individual business transactions from the order through to recognition in the Consolidated Financial Statements. Based on our understanding of the business and process, we examined the contractually agreed terms and conditions on a sample basis.

Our analytical audit procedures comprised the analysis of revenue over the course of the year in comparison with the prior year with regard to any anomalies in the amounts recognized. In connection with revenue for fiscal year 2021, we examined the correlation with the associated trade receivables and payments in order to identify irregularities in the development of revenue. In order to detect irregularities in the margin development over the course of the year and in comparison with the prior year, we performed analyses of the gross margin on a monthly basis.

We examined the key terms and conditions in customer financing to establish whether the financing components classified as deferred revenue.

In order to assess whether revenue was matched to the correct period, we reconciled and recalculated the revenue recognized at the end of the year as well as the deferred revenue based on the agreed terms and conditions on a sample basis.

Further, we reviewed the completeness of the disclosures pursuant to IFRS 15 in the Notes to the Consolidated Financial Statements.

Our audit procedures did not lead to any reservations concerning revenue recognition and deferred revenue.

Reference to related disclosures: With regard to the accounting policies applied for revenue recognition and deferred revenue, we refer to the disclosures in the “Revenue and earnings recognition” and “Realization of expenses” sections under “Accounting and valuation methods”, as well as to item 1 “Revenue” in the Notes to the Consolidated Financial Statements.

2) Impairment of goodwill and intangible assets with indefinite useful lives

Reasons why the matter was determined to be a key audit matter: Goodwill and intangible assets with indefinite useful lives represent a significant share of the assets of the Wacker Neuson Group. In the context of impairment tests, judgment is used in the assessment of underlying future cash flows and of discount rates, growth rates and other assumptions. The determination of fair value is therefore subject to considerable uncertainty. In light of this and due to the complexity of the matter, the impairment of goodwill and of intangible assets with indefinite useful lives was considered to be a key audit matter.

Auditor’s response: As part of our audit, we analyzed the processes implemented by the executive directors as well as the accounting policies relating to the performance of impairment tests on goodwill and intangible assets with indefinite useful lives for potential sources of error and gained an understanding of the process steps. With regard to the lower net realizable values calculated by the executive directors, we examined the processes related to the review and approval of planning as the significant basis for the impairment tests and the calculation of net realizable value.

We compared the planning used in the impairment tests against the planning approved by the Executive Board and Supervisory Board on a sample basis. In our evaluation of the planning and assumptions, we discussed and verified explanations given by management on the main value drivers in the planning in light of market expectations. We analyzed the planning by comparing it with the actual results generated in the past and the current development of business figures. The parameters used to estimate net realizable value such as the estimated growth rates and the weighted average cost of capital were discussed with management and assessed by comparing them with publicly available market data and in light of future changes in significant assumptions. To be able to assess an impairment risk in the event of a potential change in one of the main assumptions, we verified the sensitivity analyses carried out by management. With the help of internal valuation experts, we gained an understanding of the methodology and mathematical accuracy of the valuation models and assumptions used.

Moreover, the planning and assumptions were compared with the forecast information contained in the Group Management Report regarding future economic development for consistency.

In addition, we assessed the information provided in the Notes to the Consolidated Financial Statements on the significant judgments and estimates as well as significant assumptions for the testing of impairment of goodwill with regard to the requirements under IAS 1 and IAS 36.

Our audit procedures did not lead to any reservations concerning the impairment testing of goodwill or of intangible assets with indefinite useful lives.

Reference to related disclosures: With regard to the accounting policies applied for goodwill and intangible assets with indefinite useful lives, we refer to the disclosures in the “Intangible assets” and “Material discretionary decisions, estimates and assumptions” sections under “Accounting and valuation methods”, as well as to item 10 “Intangible assets” in the Notes to the Consolidated Financial Statements.

3) Asset-backed securities (ABS)

Reasons why the matter was determined to be a key audit matter: The Group uses various customer incentives to expand its business in the US, including receivables issued with longer payment terms. ABS are used as a tool to manage liquidity and receivables from dealer financing are sold. In these ABS transactions, the Group retains the risk of default up to a maximum amount. Pursuant to IFRS 9, management assesses whether the Group has transferred its rights to receive cash flows from the assets and whether all risks and rewards have been transferred or retained based on the estimated likelihood of default. In determining the likelihood of default for assessing the complete or partial transfer of risks and rewards and the associated derecognition or partial derecognition as well as the further recognition of the assets to the extent of the Group's continuing involvement, management estimates have a material effect and are subject to uncertainties and judgment. In light of this, the presentation of economic risks from the business expansion in the US through dealer financing and the related counter-financing was considered to be a key audit matter.

Auditor's response: We examined the process used in assessing ABS transactions and calculating risk provisions for expected credit losses. With regard to the ABS transactions, we examined, in particular, the relevant agreements as well as internal statements by management and external appraisals as to whether the estimates made concerning the transfer of risks and rewards were in accordance with the provisions of IFRS and in accordance with our other knowledge based on past experience and on the economic environment of the Group and the industry. We compared the parameters used in the calculations against the agreements and other information concerning the industry and dealers and performed recalculations. We also reviewed the disclosures on the ABS transactions in the Notes to the Consolidated Financial Statements.

Our audit procedures did not lead to any reservations concerning the accounting or presentation of the ABS transactions in the Notes to the Consolidated Financial Statements.

Reference to related disclosures: With regard to the accounting policies applied for asset-backed securities, we refer to the disclosures in “Transfer of financial assets” in the “Material discretionary decisions, estimates and assumptions” section under “Accounting and valuation methods” as well as to item 29 “Additional information on financial instruments” under the heading “Asset-backed transaction” in the Notes to the Consolidated Financial Statements.

Other information

The Supervisory Board is responsible for the Report by the Supervisory Board. The declaration pursuant to Section 161 AktG regarding the German Corporate Governance Code, which forms part of the Group declaration on corporate governance, is the responsibility of the executive directors and the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises the parts of the annual report mentioned in the appendix to the auditor's report.

Our opinions on the Consolidated Financial Statements and on the Group Management Report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the Consolidated Financial Statements, the Group Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of Consolidated Financial Statements that comply, in all material respects, with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and for ensuring that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the Consolidated Financial Statements and of the Group Management Report.

Auditor's responsibilities for the audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and this Group Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Consolidated Financial Statements and in the Group Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and of related disclosures.

- Draw conclusions on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, determine whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with (German) law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the Group Management Report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or other regulations preclude public disclosure about the matter.

Other legal and regulatory requirements

Report on the assurance in accordance with Section 317 (3a) HGB on the electronic reproduction of the Consolidated Financial Statements and the Group Management Report prepared for publication purposes

Opinion

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the Consolidated Financial Statements and the Group Management Report (hereinafter the "ESEF documents") contained in the electronic file WackerNeusonGroup_Konzernlagebericht_Konzernabschluss_2021.zip (SHA-256-Prüfsumme: 2061aeb4df0b11d455f54e9394fed5911af831a514e5d999bbc0743346b8c5a3) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the Consolidated Financial Statements and the Group Management Report into the ESEF format and therefore relates neither to the information contained in this reproduction nor to any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the Consolidated Financial Statements and the Group Management Report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying Consolidated Financial Statements and the accompanying Group

Management Report for the fiscal year from January 1, 2021 to December 31, 2021 contained in the "Report on the audit of the Consolidated Financial Statements and of the Group Management Report" above.

Basis for the opinion

We conducted our assurance work on the reproduction of the Consolidated Financial Statements and the Group Management Report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance in Accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW auditing standard 410 (10.2021)). Our responsibilities under that standard are further described in the "Group auditor's responsibilities for the assurance work on the ESEF documents" section. Our audit firm applied the requirements for quality control systems set forth in the IDW Standard on Quality Control: "Requirements for Quality Assurance applicable to German Auditing Practices" (IDW QS 1).

Responsibilities of the executive directors and the supervisory board for the ESEF documents

The executive directors of the company are responsible for the preparation of the ESEF documents including the electronic reproduction of the Consolidated Financial Statements and the Group Management Report in accordance with Section 328 (1) Sentence 4 No. 1 HGB and for the tagging of the Consolidated Financial Statements in accordance with Section 328 (1) Sentence 4 No. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material failure to comply, whether due to fraud or error, with the requirements of Section 328 (1) HGB for the electronic reporting format.

The supervisory board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Group auditor's responsibilities for the assurance work on the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material failure to comply, whether due to fraud or error, with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material failure to comply, whether due to fraud or error, with the requirements of Section 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.

- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, governing the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited Consolidated Financial Statements and to the audited Group Management Report.

- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with Art. 4 and Art. 6 of Delegated Regulation (EU) 2019/815, in the version valid as of the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as Group auditor by the annual general meeting on May 26, 2021. We were engaged by the Supervisory Board on May 26, 2021. We have been the Group auditor of Wacker Neuson SE without interruption since fiscal year 2012.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

In addition to the financial statement audit, we have provided to Group entities the following services that are not disclosed in the Consolidated Financial Statements or in the Group Management Report: Voluntary audit services as well as other audit-related services as part of the review of the non-financial Group report and of the remuneration report, and other services in connection with the EU taxonomy.

Other matters – use of the auditor's report

Our auditor's report should always be read in conjunction with the audited Consolidated Financial Statements and the audited Group Management Report as well as the audited ESEF documents. The Consolidated Financial Statements and Group Management Report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic reproductions of the audited Consolidated Financial Statements and of the audited Group Management Report and do not replace them. In particular, the ESEF Report and our audit opinion contained therein can only be used in conjunction with the audited ESEF documents provided in electronic form.

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Peter von Wachter.

Munich, March 24, 2022

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

von Wachter	Strobl
Wirtschaftsprüfer [German Public Auditor]	Wirtschaftsprüfer [German Public Auditor]

Appendix to the auditor's report:

1. Parts of the Group Management Report whose content is not audited

We have not audited the content of the following part of the Group Management Report that is included in "Other information":

- The Group declaration on corporate governance that was made publicly available

Furthermore, we have not audited the content of the following information presented under "Other information" which is not typical for a management report. In the Group Management Report, this applies to information that is not required by Sections 315, 315a or 315b to 315d HGB, nor by German Accounting Standard (GAS) 20.

- Chart "Quarter-on-quarter comparison: Revenue and EBIT margin 2017 – 2021" in the "Profit" section under "Profit, financials and assets"
- "Demand bounces back after the pandemic year of 2020; overstretched supply chains dampen pace of growth" under "Profit, financials and assets" and the disclosures made there regarding the individual quarters

2. Further other information

The "Other information" comprises the following sections of the annual report, a version of which we had received by the date of this auditor's report:

- Non-financial Group report 2021
- "Figures at a Glance"
- "To our Shareholders"
- "Our Share in 2021"
- "10-Year Comparison"
- "Responsibility Statement by the Management"
- "Financial Glossary"
- "Report by the Supervisory Board"

It does not include the Consolidated Financial Statements, the Group Management Report disclosures whose content has been audited, or our auditor's report theron.

3. Company information outside the annual report referred to in the Group Management Report

We have not audited the content of the following information, which is referred to by cross-references in the Group Management Report:www.wackerneuson.com/zeroemission,
www.wackerneusongroup.com/de/konzern/compliance/verhaltenskodex-fuer-lieferanten/,
www.wackerneusongroup.com/investor-relations

and
www.wackerneusongroup.com.

Financial glossary

C

Capital employed
Capital employed represents the interest-bearing capital tied up in and required by the Group to function.

Cash flow from financing activities
Cash balance resulting from financing activities.

Cash flow from investing activities
Cash balance resulting from investment and divestment activities.

Cash flow from operating activities
Cash balance resulting from operating activities.

D

Deferred taxes
Differences between the tax base and the carrying amounts in the IFRS accounts in order to disclose tax expense and tax entitlement (actual and deferred) according to IFRS.

E

EBIT (margin)
Earnings before interest and taxes. The EBIT margin is the ratio of EBIT to revenue.

EBT
Earnings before taxes. The EBT margin is the ratio of EBT to revenue.

Equity ratio
Ratio of equity to total capital.

Earnings per share (EPS)
Earnings per share are calculated by dividing the total Group profit/loss for the year attributable to Wacker Neuson SE shareholders by the weighted average number of shares issued.

F

Free cash flow
The free cash flow is the result of the cash flow from operating activities minus the cash flow from investment activities.

G

Gearing
Net financial debt as a percentage of equity.

Goodwill
When a company purchases another company for a price that is higher than the fair value (book value) of all assets and liabilities, the difference is recorded as goodwill.

Gross profit margin
Gross profit margin is defined as the relationship between gross profit and revenue.

H

Hedge
Provides protection against risks arising from unfavorable exchange rate fluctuations and changes to raw material or other prices.

I

IFRS (IAS)
International Financial Reporting Standards devised by the International Accounting Standards Board (IASB) in an effort to harmonize accounting standards and principles worldwide.

Impairment test
Intangible assets are subject to an annual impairment test. This involves comparing the book value with the fair value less cost to sell. The fair value less cost to sell is calculated using the discounted cash flow method. Future cash flows are discounted to the respective reporting date. The asset is deemed impaired if the fair value less cost to sell is lower than the book value.

K

Key Performance Indicator (KPI)
KPIs are used to define company targets and measure the extent to which a company is achieving its goals.

N

Net financial debt/Net financial position
Net financial debt = (-Net financial position) = long- and short-term borrowings + current portion of long-term borrowings – cash and cash equivalents – fixed term investments with terms of less than one year. The definition of net financial debt as applied by the Wacker Neuson Group does not include lease liabilities in accordance with IFRS 16.

Net working capital
This refers to total inventory plus trade receivables minus trade payables.

Net working capital to revenue (net working capital ratio)
(Average) net working capital to revenue is the relationship between (average) net working capital and revenue. The average is calculated

by adding the opening and closing balances, and dividing this figure by two.

NOPLAT
Net operating profit less adjusted taxes (NOPLAT) refers to earnings before interest and taxes (EBIT) minus adjusted taxes.
NOPLAT = EBIT less (EBIT x corporate tax ratio)

R

Return on sales (ROS)
The ratio between profit for the period and revenue.

ROCE I (Return on Capital Employed)
ROCE I = EBIT in relation to (average) capital employed as a %

The average is calculated by adding the opening and closing balances, and dividing this figure by two.

ROCE II (Return on Capital Employed)
ROCE II = NOPLAT in relation to (average) capital employed as a %

The average is calculated by adding the opening and closing balances, and dividing this figure by two.

Return on sales (ROS)
The ratio between profit for the period and revenue.

10-Year Comparison

IN € MILLION

	2021	2020	2019	2018	2017	2016
Revenue[1]	1,866.2	1,615.5	1,901.1	1,710.0	1,533.9	1,361.4
Revenue Europe	1,477.5	1,289.7	1,379.0	1,248.9	1,129.8	1,020.7
Revenue Americas	328.6	270.4	459.5	401.3	357.5	291.9
Revenue Asia-Pacific	60.1	55.4	62.6	59.8	46.6	48.9
EBITDA	313.5	204.6	257.4	239.4	207.2	158.1
Depreciation and amortization[2]	77.4	88.3	63.3	40.5	43.2	40.7
EBIT[1,3]	193.0	75.5	153.1	162.3	131.4	88.8
EBT[4]	187.4	53.8	137.5	203.0	125.4	81.4
Net profit[4]	137.9	14.1	88.5	144.6	87.5	57.2
Number of employees[5]	5,992	5,554	6,056	6,190	5,546	5,181
R&D ratio (incl. capitalized expenses) as a %	4.0	4.0	3.3	3.2	3.2	3.5
Share						
Earnings per share in €[4]	1.99	0.20	1.26	2.06	1.25	0.81
Dividend per share in €[6]	0.90	0.60	–	1.10	0.60	0.50
Book value at Dec. 31 in €	18.91	17.37	17.47	17.41	15.88	15.50
Closing price at Dec. 31 in €	25.24	17.51	17.05	16.52	30.08	15.42
Market capitalization at Dec. 31	1,770.3	1,228.2	1,195.9	1,158.7	2,109.5	1,081.6
Key profit figures						
Gross profit margin as a %	25.9	24.8	25.0	26.8	28.5	27.6
EBITDA margin as a %	16.8	12.7	13.5	14.0	13.5	11.6
EBIT margin as a %	10.3	4.7	8.1	9.5	8.6	6.5
EBT margin as a %	10.0	3.3	7.2	11.9	8.2	6.0
Net return on sales (ROS) as a %[4]	7.4	0.9	4.7	8.5	5.7	4.2
Key figures from the balance sheet						
Balance sheet total	2,320.8	2,126.8	2,196.6	1,914.2	1,621.7	1,580.8
Equity	1,286.2	1,218.1	1,225.0	1,221.4	1,113.7	1,092.5
Equity ratio as a %	55.4	57.3	55.8	63.8	68.7	69.1
Net financial debt	-0.8	137.9	439.0	204.7	149.7	205.8
Net financial debt/EBITDA	0.0	0.7	1.7	0.9	0.7	1.3
Gearing as a %	-0.1	11.3	35.8	16.8	13.4	18.8
Net working capital	497.6	497.5	761.9	643.9	535.8	569.3
Net working capital as a % of revenue	26.7	30.8	40.1	37.7	34.9	41.8
Capital Employed[7]	1,449.8	1,396.7	1,699.2	1,416.2	1,302.5	1,355.6
ROCE I as a % (EBIT/Capital Employed)[7]	13.3	5.4	9.0	11.5	10.1	6.6
ROCE II as a % (NOPLAT/Capital Employed)[7]	9.8	1.4	5.8	8.2	7.0	4.6
Cash flow						
Cash flow from operating activities	331.7	420.0	-20.9	-15.5	138.0	79.4
Cash flow from investment activities	-182.6	-91.0	-94.8	15.2	-39.0	-44.0
Investments[2]	82.2	86.9	89.2	73.3	47.4	48.5
Free cash flow[8]	264.1	344.0	-115.7	-0.3	99.0	35.4

[1] In 2019, there has been a change in the way income from customer financing is reported. Interest income has been moved from the financial result and other income to the revenue line. Figures for 2018 were adjusted accordingly.
[2] Based on property, plant and equipment and intangible assets, the Group's own rental equipment is not included here since 2013.
[3] Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of 2017.
[4] 2018: includes a one-off profit of EUR 45.8 million after tax (EUR 54.8 million before tax) from the sale of a real-estate company belonging to the Group.
[5] Since 2012 incl. temporary workers.
[6] At the AGM on June 3, 2022, the Executive Board and the Supervisory Board will propose a dividend of EUR 0.90 per share for fiscal 2021.
[7] The definition of capital employed was changed as of FY 2017. Values since 2013 have been adjusted accordingly.
[8] Before fixed-term investments in the amount of EUR 15.0 million in fiscal 2020 and EUR 115.0 million in fiscal 2021.

2015	2014	2013	2012
1,375.3	1,284.3	1,159.5	1,091.7
979.3	921.7	826.2	776.4
348.5	323.7	297.2	276.2
47.5	38.9	36.1	39.1
170.1	190.5	153.4	141.7
38.8	34.2	34.2	56.8
102.4	130.4	94.7	84.9
97.5	130.1	88.0	77.8
66.7	92.1	61.5	54.7
5,005	4,990	4,438	4,342
3.2	3.2	3.1	3.1
0.94	1.30	0.87	0.77
0.50	0.50	0.40	0.30
15.17	14.42	13.34	13.04
14.23	16.96	11.49	10.35
998.1	1,189.2	805.6	725.9
28.0	29.7	30.4	30.4
12.4	14.8	13.2	13.0
7.4	10.2	8.2	7.8
7.1	10.1	7.6	7.1
4.8	7.2	5.3	5.0
1,552.2	1,447.6	1,322.4	1,344.8
1,069.1	1,016.2	939.3	918.2
68.9	70.2	71.0	68.3
199.1	179.5	177.2	214.2
1.2	0.9	1.2	1.5
18.6	17.7	18.9	23.3
574.5	532.1	453.1	456.8
41.8	41.4	39.1	41.8
1,330.5	1,249.2	1,165.7	n.a.
7.7	10.4	8.1	n.a.
5.3	7.4	5.7	n.a.
78.5	63.5	85.4	13.6
-54.8	-36.0	-23.8	-99.9
60.0	41.0	34.7	104.0
23.7	27.5	61.6	-86.3

Publishing Details/ Financial Calendar

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Financial Calendar

March 29, 2022	Publication of Annual Report 2021
May 10, 2022	Publication of Q1 report 2022
June 3, 2022	AGM, Munich (virtual)
August 9, 2022	Publication of half-year report 2022
November 10, 2022	Publication of Q3 report 2022

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Disclaimer

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