Wacker Neuson Group
Quarterly report Q1/2019

May 7, 2019, unaudited

Foreword

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Highlights Q1/2019

Revenue +17% on previous year

- Double-digit growth in all reporting regions
- Pace of growth in the agricultural sector accelerates further

Increase in profitability (EBIT +31% yoy)

- Operating costs rise at a disproportionately low rate
- Restructuring in the US continues as planned

Net working capital impacted by seasonal increase in inventory and rise in trade receivables

Dear Ladies and Gentlemen,

2019 got off to a brisk start for us with the dynamic pace of growth that we experienced in the fourth quarter of 2018 continuing into the first quarter of 2019. Revenue rose sharply, increasing by 17 percent on the prior-year quarter. Profitability also improved significantly, with the EBIT margin rising by 0.7 percentage points to 6.9 percent.

In April, we presented our products and services at the leading international trade show Bauma in Munich, Germany. We were able to impress customers, business partners and other stakeholders from around the world with the Group's diverse range of new products, its broad portfolio of electric machines and our suite of digital services. The talks we held at the show once again confirmed that we are on the right track to consolidate and expand the success of the Wacker Neuson Group in the long term.

At the close of the first quarter, order intake and order backlog remained at high levels. As a result, we built up more inventory in recent months than in previous years. This will return to normal levels over the course of the fiscal year as revenue increases seasonally during the summer months and we gradually start to decrease our stock of pre-buy engines. This will also have a positive impact on cash flow.

Despite numerous uncertainties regarding the continued development of the global economy, we are optimistic about the remainder of the fiscal year. Backed by our strong start to the year, our well filled order books and the very positive feedback from customers at Bauma, we currently expect revenue to lie in the upper half of our projected range of EUR 1,775 to EUR 1,850 million.

Best regards,

The Executive Board team of Wacker Neuson SE

Key figures

Q1/19

Revenue yoy	EBIT yoy
+17%	**+31%**
(€ 435m)	(margin: 6.9%)
Op. CF	**FCF**
€ -116m	**€ -143m**
(Q1/18: € -41m)	(Q1/18: € -45m)

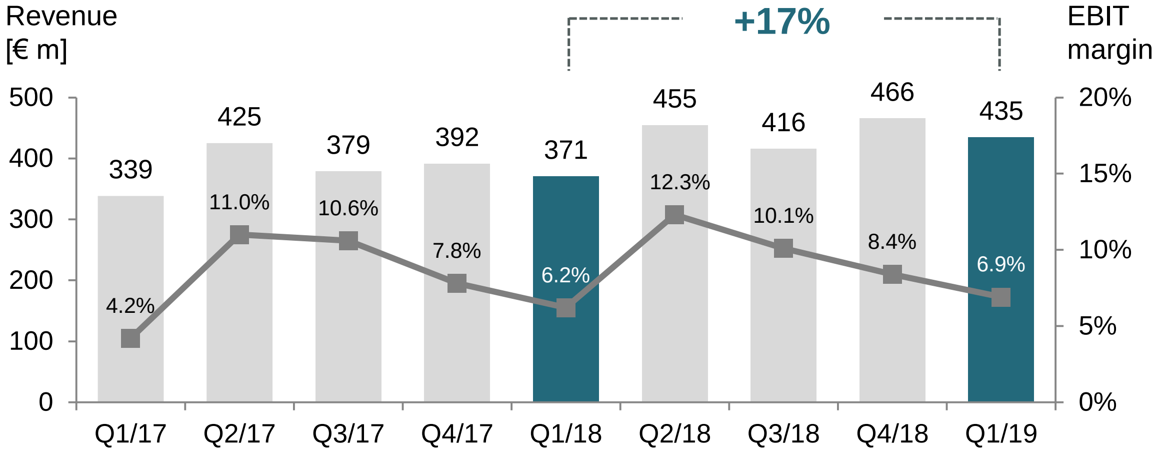
March 31, 2019

NWC ratio[1]: 45.8%	DIO[2]: 179 days	Equity ratio: 57.7%
(+6.5PP yoy)	(+26 days yoy)	(-7.8PP yoy)

[1] Net working capital/annualized revenue for the quarter.
[2] Days inventory outstanding: (inventory/annualized cost of sales for the quarter)*365.

Revenue and earnings

Q1/19: Accelerated revenue growth continues from Q4/18



Income statement (excerpt)

€ million	Q1/19	Q1/18	Δ
Revenue	434.6	370.5	17.3%
Gross profit	110.9	96.2	15.3%
as a % of revenue	*25.5%*	*26.0%*	*-0.5PP*
SG&A incl. other income/expenses	-80.7	-73.2	10.2%
as a % of revenue	*-18.6%*	*-19.8%*	*1.2PP*
EBIT	30.2	23.0	31.3%
as a % of revenue	*6.9%*	*6.2%*	*0.7PP*
Profit for the period	20.8	14.6	42.5%
EPS (in €)	0.30	0.21	42.9%

Q1/19: Comments

Revenue +17.3% yoy (adj. for FX effects: +15.6%)

- Double-digit growth in all reporting regions
- Compact equipment for the agricultural sector grew at a significantly higher-than-average rate (+42% yoy)

Gross profit +15.3% yoy (gross profit margin -0.5PP)

- Restructuring at the plant in Wisconsin, USA, continued as planned
- Increased costs in production and logistics caused by changes in the product mix, additional shifts required to manage increased production volumes and handle unfinished machines

EBIT +31.3% yoy (EBIT margin: +0.7PP)

- Operating costs increased at a disproportionately low rate despite a moderate increase in headcount, wage increases and costs for Bauma trade show
- Operating costs as a share of revenue fell by 1.2PP on the prior year

Earnings per share +42.9% yoy

- The financial result was EUR 2.1m up on the previous year: Positive FX effects (EUR +2.9m yoy) in particular due to the appreciation of currencies in several emerging economies; interest income slightly below prior year (EUR -0.8m yoy), mostly due to the initial application of IFRS 16
- The tax rate increased slightly to 30.4% (Q1/18: 29.1%)

Business development by region and business segment

Wacker Neuson Group

Q1/19: Double-digit growth in all regions

Revenue [€ m]		share	yoy	EBIT[1]
Europe	316.7	73%	+18%	46.1
Americas	104.5	24%	+14%	2.5
Asia-Pacific	13.4	3%	+22%	-1.7
Total Q1/19	434.6	100%	+17%	30.2

Q1/19: Compact equipment driving growth

Revenue [€ m][2]		share	yoy
Light equipment	109.8	25%	+6%
Compact equipment	245.8	56%	+25%
Services	82.3	19%	+12%
Total Q1/19	434.6	100%	+17%

Q1/19: Comments

Revenue Europe +18.3% yoy (adj. for FX effects: +18.4%)

- Strong demand for compact and light equipment in all regions
- Rapid growth in the UK (significant gains with dumpers and excavators), above-average growth in France, Poland and Austria with increased market shares
- Revenue generated with Weidemann- and Kramer-brand compact equipment for the agricultural sector +42% yoy

Revenue Americas +14.0% yoy (adj. for FX effects: +6.7%)

- Worksite technology (especially generators and light towers) and compact equipment were key growth drivers
- Growth dampened by pre-buy effects in Q4/18 related to changes in emissions legislation in Canada
- Positive developments in South America, uncertainties remain
- Earnings bolstered by improved currency situation, restructuring in the US continued as planned

Revenue Asia-Pacific +21.8% yoy (adj. for FX effects: +20.9%)

- Production in China ramped up on schedule, positive development with light equipment and excavators
- First mini and compact excavators delivered to John Deere

[1] EBIT for regions before consolidation.
[2] Revenue by business segment before cash discounts.

Rise in inventories and receivables drive up net working capital

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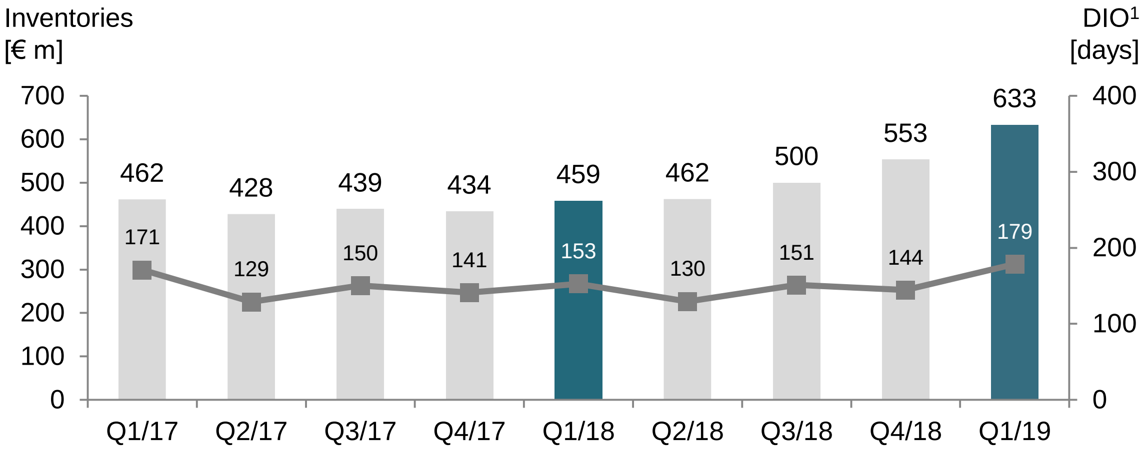
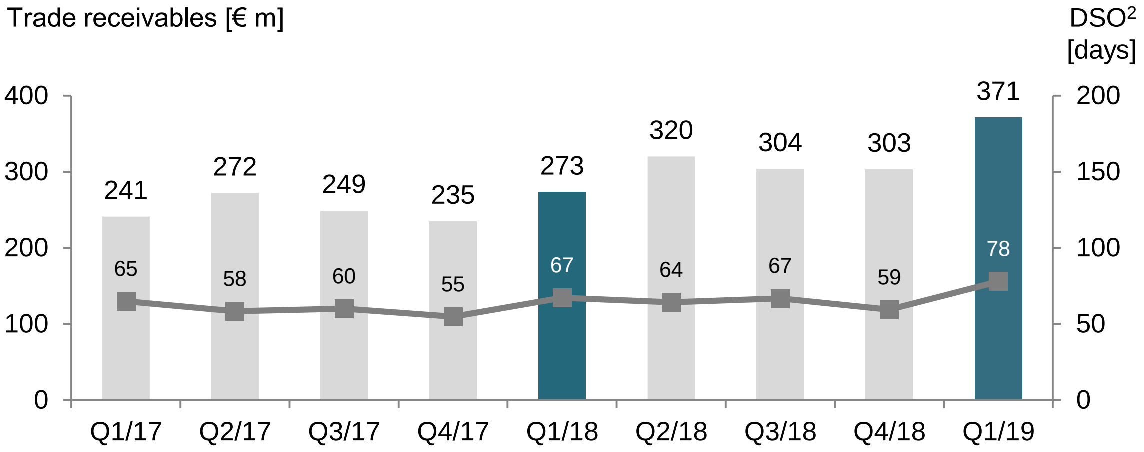
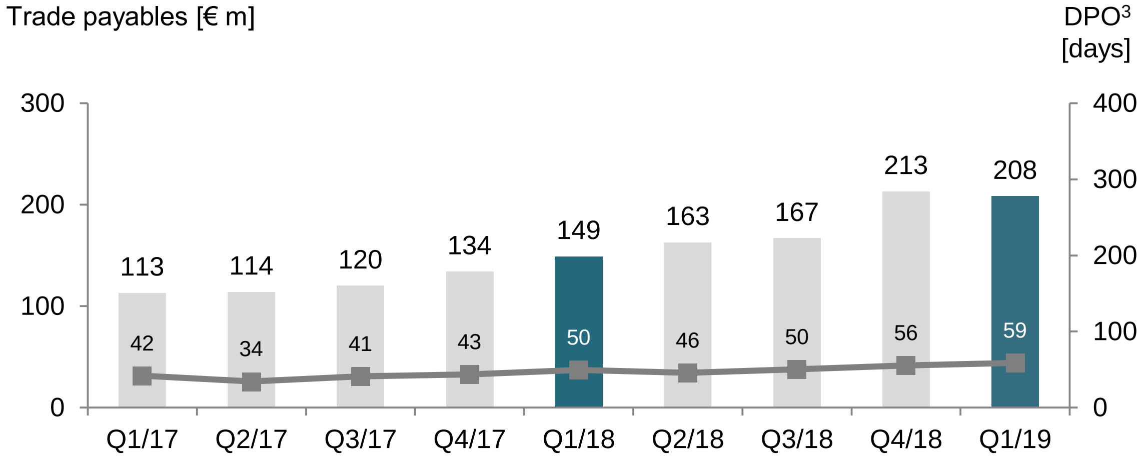
Inventories



Trade receivables



Trade payables



Comment

- Seasonal rise in inventories, further increase in pre-buy engines
- Rise in trade receivables due to the increased volume of business and expansion of the dealer network in North America
- Rise in trade payables due to the increased volume of business and an increase in inventory compared with the prior-year quarter.

➡ Significant, temporary rise in net working capital (see the following slide)

Wacker Neuson SE, quarterly report Q1/2019 (unaudited), May 7, 2019

[1] Days inventory outstanding = (inventories/(cost of sales*4))*365 days; [2] Days sales outstanding = (receivables/(revenue*4))*365 days; [3] Days payables outstanding = (payables/(cost of sales*4))*365 days.

Cash flow impacted by a rise in net working capital

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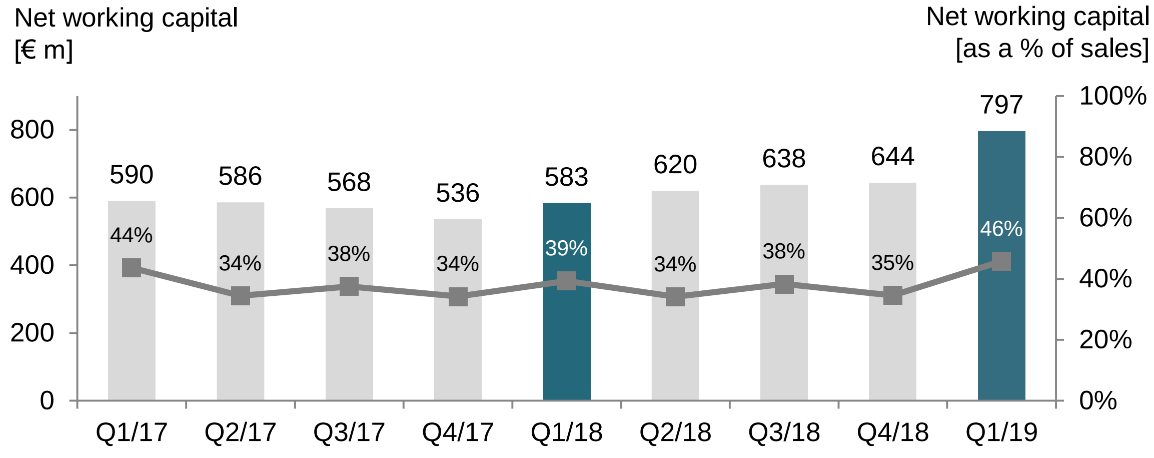
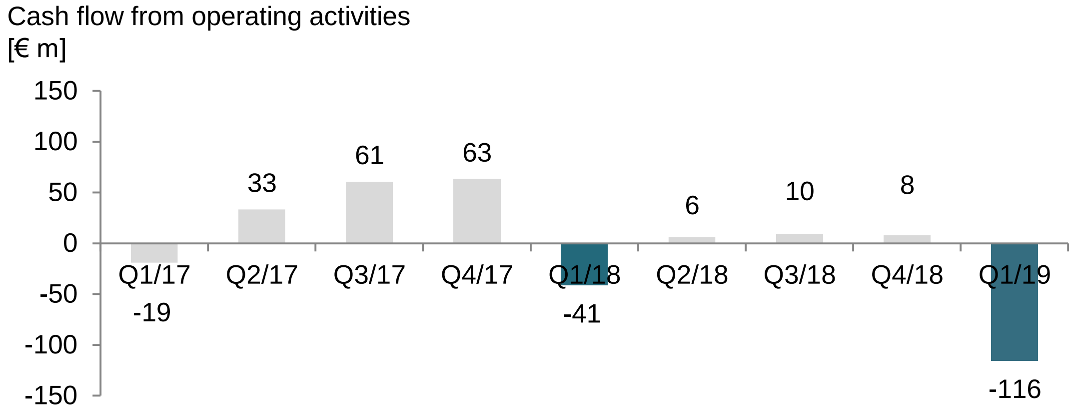
Net working capital



Cash flow from operating activities



Free cash flow

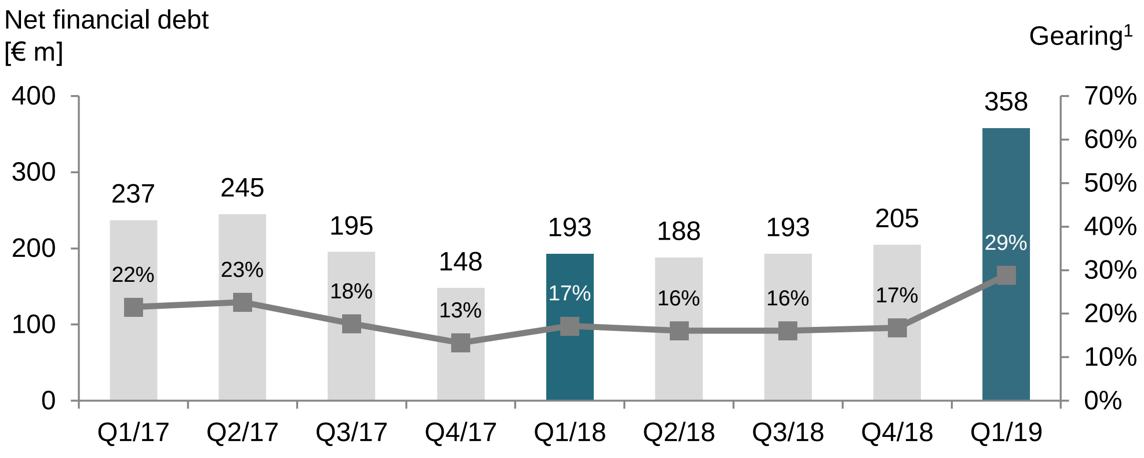
Comment

- Increase in net working capital due to a temporary rise in inventory and increased trade receivables (see previous slide)
- Financing programs used to establish a network of anchor dealers in North America (rise in other assets)
- Increased investments in growth

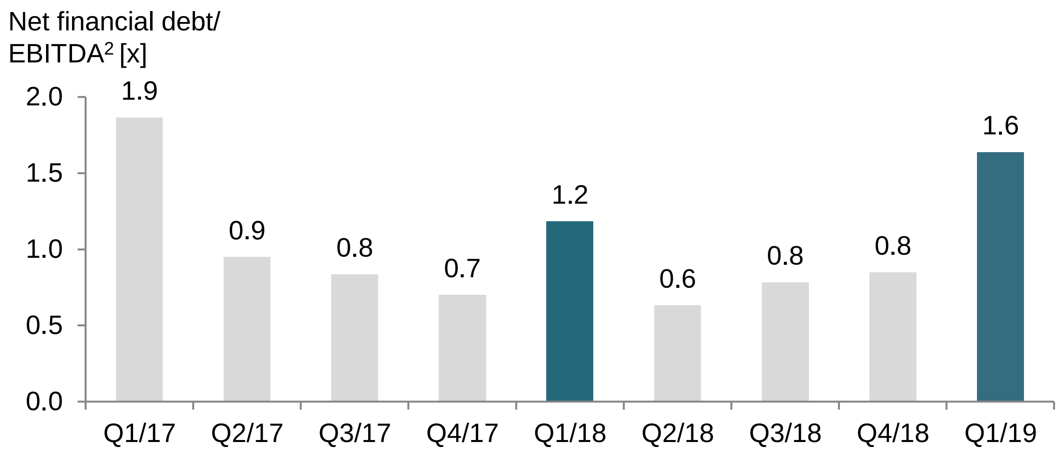
➡ Major yet temporary impact on free cash flow, normalization of inventory levels and reduction in trade receivables expected over the coming months

Increased gearing in balance sheet

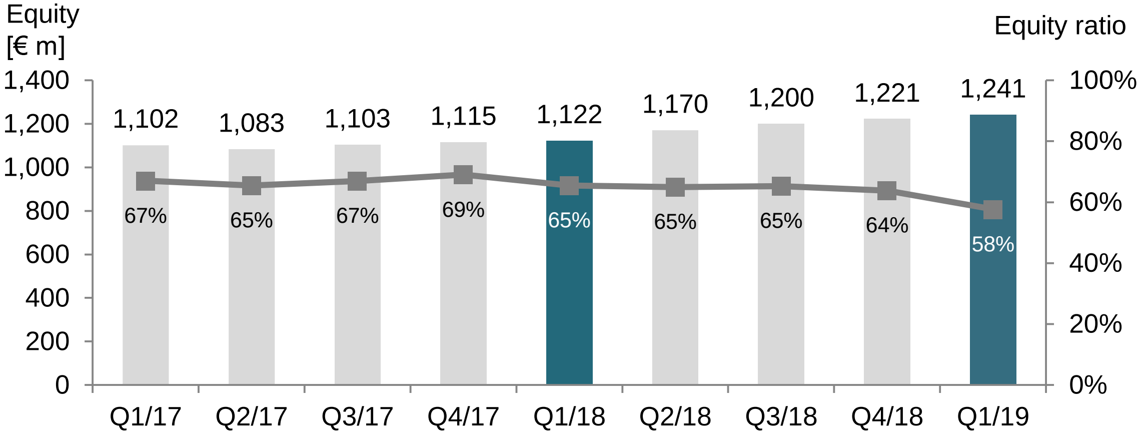
Net financial debt and gearing[1]



Net financial debt/EBITDA[2]



Equity and equity ratio



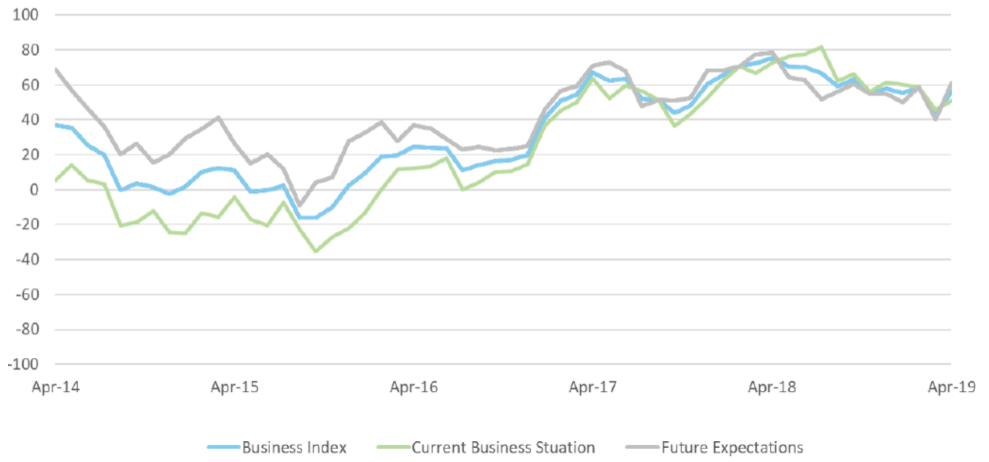
Comment

- Temporary reduction in equity ratio due to increased debt and a structural reduction of around 2PP due to the first-time application of IFRS 16
- Marked rise in net financial debt, gearing[1] increased to 29%
- May 2019: Promissory note (Schuldschein) successfully issued with attractive interest rates and terms of five and seven years to secure long-term funding for the Group's accelerated growth

[1] Net financial debt/equity.
[2] Net financial debt/annualized EBITDA for the quarter.

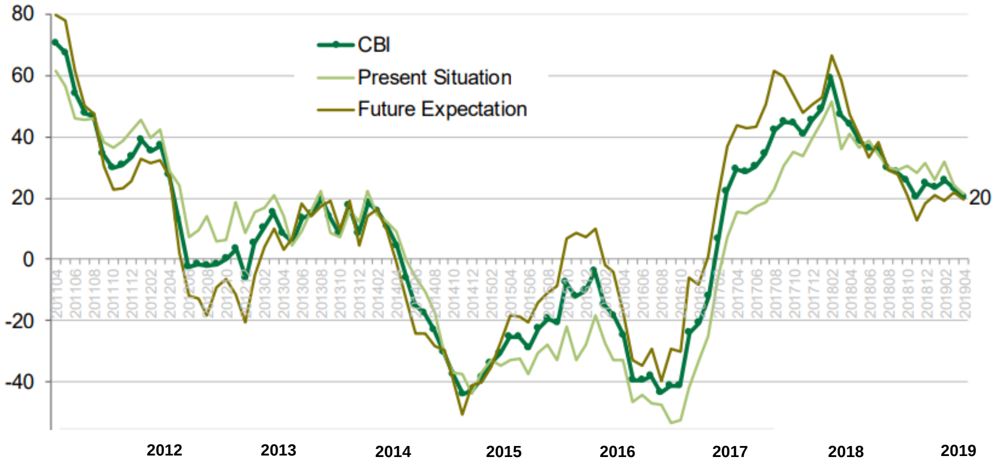
Outlook for 2019

Business index for construction industry at a high level



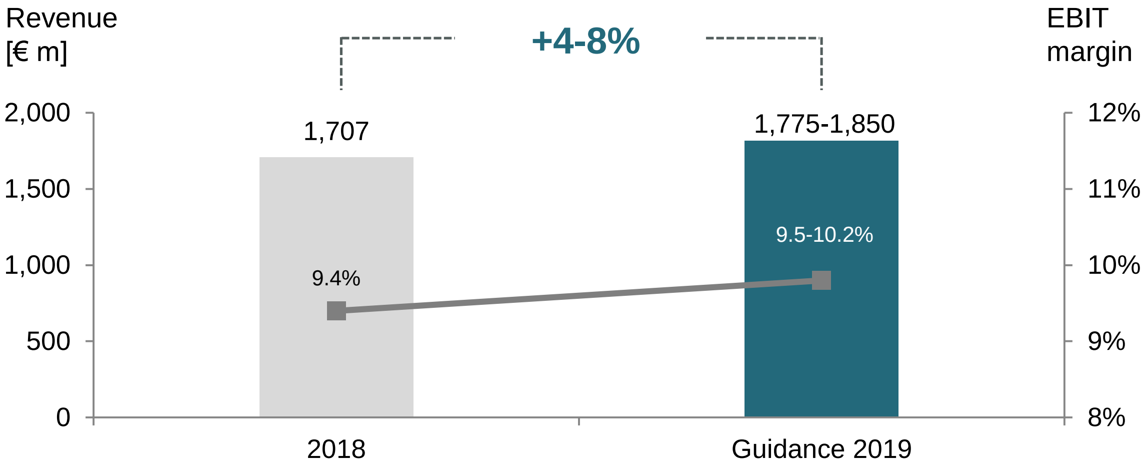
Source: CECE, April 2019

Business index for agricultural industry subdued



Source: CEMA, April 2019

Revenue and earnings guidance for 2019 confirmed



Comments

- CECE business index at a high level, slight decrease in order intake in April; expectations in the agricultural sector have cooled slightly according to CEMA, high inventory levels among dealers
- IMF lowered its economic outlook once again in April, macroeconomic uncertainties remain in place
- Situation in the supply chain has improved compared with 2018; however, the risk of delayed deliveries remains
- Revenue and earnings guidance for 2019 confirmed, with revenue expected in the upper half of the projected range
- Net working capital expressed as a percentage of revenue is expected to be slightly lower than the prior-year level

Consolidated Financial Statements

(unaudited)

Consolidated Income Statement

Wacker Neuson Group

IN € MILLION

	Q1/19	Q1/18
Revenue	434.6	370.5
Cost of sales	-323.7	-274.3
Gross profit	**110.9**	**96.2**
Sales and service expenses	-53.8	-47.5
Research and development expenses	-9.7	-8.7
General administrative expenses	-19.4	-19.3
Other income	2.4	2.4
Other expenses	-0.2	-0.1
Profit before interest and tax (EBIT)	**30.2**	**23.0**
Financial income	1.1	2.1
Financial expenses	-1.4	-4.5
Profit before tax (EBT)	**29.9**	**20.6**
Taxes on income	-9.1	-6.0
Profit for the period	**20.8**	**14.6**
Earnings per share in € (diluted and undiluted)	**0.30**	**0.21**

As of fiscal 2019, expenses for service technicians are reported under cost of sales (previously: personnel costs were reported under cost of sales while expenses for pro-rata property, plant and equipment costs were reported under sales and service expenses). Figures for 2018 have been adjusted accordingly.
Several items on the consolidated balance sheet have been modified (with a corresponding impact on the income statement) compared with the previous year as a result of changes to the accounting and valuation methods and to accounting-related estimates as well as the correction of errors related to incidental acquisition costs for raw materials and supplies, the statutory Swiss pension plans, accruals/deferrals for outstanding invoices, finance leases and pre-paid customer bonuses. For further information on this, refer to page 103ff in the Notes to the Consolidated Financial Statement in the 2018 Annual Report.

Consolidated Balance Sheet

Wacker Neuson Group

IN € MILLION

	March 31, 2019	Dec. 31, 2018	March 31, 2018
Assets			
Property, plant and equipment	371.4	294.6	290.5
Property held as financial investment	25.7	25.8	26.6
Goodwill	238.0	237.8	237.1
Intangible assets	147.4	143.5	125.9
Deferred tax assets	45.7	40.2	45.5
Other non-current financial assets	98.8	78.8	41.9
Other non-current non-financial assets	0.2	1.7	0.2
Total non-current assets	**927.2**	**822.4**	**767.7**
Rental equipment	151.8	149.4	125.7
Inventories	633.4	553.4	458.5
Trade receivables	371.3	303.3	273.1
Tax offsets	0.3	0.4	2.7
Other current financial assets	19.6	16.2	13.5
Other current non-financial assets	22.5	22.5	18.4
Cash and cash equivalents	23.2	43.8	47.5
Non-current assets held for sale	2.8	2.8	7.1
Total current assets	**1,224.9**	**1,091.8**	**946.5**
Total assets	**2,152.1**	**1,914.2**	**1,714.2**

IN € MILLION

	March 31, 2019	Dec. 31, 2018	March 31, 2018
Equity and liabilities			
Subscribed capital	70.1	70.1	70.1
Other reserves	590.8	587.5	576.4
Net profit/loss	579.9	563.8	475.9
Total equity	**1,240.8**	**1,221.4**	**1,122.4**
Long-term financial borrowings	216.5	214.7	236.0
Long-term leasing liabilities	55.2	2.6	1.5
Deferred tax liabilities	34.4	34.6	31.1
Long-term provisions	62.1	58.2	58.0
Total non-current liabilities	**368.2**	**310.1**	**326.6**
Trade payables	**208.2**	212.8	148.5
Short-term liabilities to financial institutions	164.2	33.8	4.3
Current portion of long-term borrowings	–	–	–
Short-term leasing liabilities	24.2	1.4	0.8
Short-term provisions	16.3	15.7	17.2
Tax liabilities	1.4	1.0	2.2
Other short-term financial liabilities	36.9	35.6	26.3
Other short-term non-financial liabilities	91.9	82.4	65.9
Total current liabilities	**543.1**	**382.7**	**265.2**
Total liabilities	**2,152.1**	**1,914.2**	**1,714.2**

The first-time application of IFRS 16 "Leases" has resulted in a new addition to the balance sheet as of fiscal 2019. For further information on this, refer to page 105 in the Notes to the Consolidated Financial Statements in the 2018 Annual Report. Several items on the consolidated balance sheet have been modified (with a corresponding impact on the income statement) compared with the previous year as a result of changes to the accounting and valuation methods and to accounting-related estimates as well as the correction of errors related to incidental acquisition costs for raw materials and supplies, the statutory Swiss pension plans, accruals/deferrals for outstanding invoices, finance leases and pre-paid customer bonuses. For further information on this, refer to page 103ff in the Notes to the Consolidated Financial Statement in the 2018 Annual Report.

Consolidated Cash Flow Statement

Wacker Neuson Group

IN € MILLION

	Q1/19	Q1/18
EBT	**29.9**	**20.6**
Adjustments to reconcile profit before tax with gross cash flows:		
Depreciation and amortization of non-current assets	14.8	9.7
Unrealized foreign exchange gains/losses	-5.4	1.9
Financial result	0.3	2.4
Gains from the sale of intangible assets and property, plant and equipment	–	–
Changes in rental equipment, net	-2.2	-6.5
Changes in misc. assets	-10.5	-13.7
Changes in provisions	0.8	-0.6
Changes in misc. liabilities	9.0	6.3
Gross cash flow	**36.7**	**20.1**
Changes in inventories	-73.5	-28.7
Changes in trade receivables	-63.1	-40.3
Changes in trade payables	-5.7	15.2
Changes in net working capital	**-142.3**	**-53.8**
Cash flow from operating activities before income tax paid	-105.6	-33.7
Income tax paid	-10.0	-7.7
Cash flow from operating activities	**-115.6**	**-41.4**

	Q1/19	Q1/18
Cash flow from operating activities	**-115.6**	**-41.4**
Purchase of property, plant and equipment	-11.3	-7.2
Purchase of intangible assets	-7.5	-4.0
Investments in participations	-8.8	0.0
Proceeds from the sale of property, plant and equipment, intangible assets and assets held for sale	0.1	7.5
Proceeds from the sale of a real-estate company	–	–
Cash flow from investment activities	**-27.5**	**-3.7**
Free cash flow	**-143.1**	**-45.1**
Cash receipts from short-term borrowings	162.0	0.0
Repayments from short-term borrowings	-31.6	-14.4
Cash receipts from long-term borrowings	0.0	81.4
Repayments from leasing liabilities	-5.1	0.0
Interest paid	-4.1	-2.2
Interest received	0.9	0.8
Cash flow from financial activities	**122.1**	**65.6**
Change in cash and cash equivalents	-21.0	20.5
Effect of exchange rates on cash and cash equivalents	0.4	-0.3
Change in cash and cash equivalents	**-20.6**	**20.2**
Cash and cash equivalents at the beginning of the period	43.8	27.3
Cash and cash equivalents at the end of period	**23.2**	**47.5**

The first-time application of IFRS 16 “Leases” has resulted in increased write-downs and the addition of a separate line under financial activities for 2019 compared with the previous year. For further information on this, refer to page 105 in the Notes to the Consolidated Financial Statements in the 2018 Annual Report.
Several items on the consolidated cash flow statement have been modified compared with the previous year as a result of changes to the accounting and valuation methods and to accounting-related estimates as well as the correction of errors related to incidental acquisition costs for raw materials and supplies, the statutory Swiss pension plans, accruals/deferrals for outstanding invoices, finance leases and pre-paid customer bonuses. For further information on this, refer to page 103ff in the Notes to the Consolidated Financial Statement in the 2018 Annual Report.

Consolidated Segmentation

Geographical segments

IN € MILLION

Q1	Europe		Americas		Asia-Pacific		Consolidation		Group	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Total revenue	578.1	524.9	168.0	207.1	16.0	27.4			762.1	759.4
Revenue from external customers	316.7	267.8	104.5	91.7	13.4	11.0			434.6	370.5
EBIT[1]	46.1	36.2	2.5	1.4	-1.7	-0.7	-16.7	-13.9	30.2	23.0
EBIT-margin[2] (%)	14.6	13.5	2.4	1.5	-12.7	-6.4			6.9	6.2

Business segments

IN € MILLION

Q1	**2019**	**2018**
Segment revenue from external customers		
Light equipment	109.8	103.2
Compact equipment	245.8	197.1
Services	82.3	73.2
	437.9	373.5
Less cash discounts	-3.3	-3.0
Total	434.6	370.5

In Q1/19, financing components from different financing options posted under the cash discounts item were directly allocated to the compact equipment business segment. Prior-year values have been adjusted accordingly.

[1] Before consolidation.
[2] EBIT as a % of revenue from external customers.

Financial calendar and contact

May 7, 2019	**Publication of Q1 report 2019; analysts and investors call**
May 14, 2019	Zurich roadshow
May 22, 2019	Berenberg Conference USA, New York
May 29, 2019	Annual General Meeting, Munich
June 12, 2019	London roadshow
June 13, 2019	Hamburg roadshow
July 1, 2019	Paris roadshow
August 6, 2019	**Publication of 2019 half-year report; analysts and investors call**
November 7, 2019	**Publication of Q3 report 2019; analysts and investors call**

Disclaimer

This report contains forward-looking statements which are based on current estimates and assumptions made by corporate management at Wacker Neuson SE. Forward-looking statements are characterized by the use of words such as expect, intend, plan, predict, assume, believe, estimate, anticipate and similar formulations. Such statements are not to be understood as in any way guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Neuson SE and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from forward-looking statements. Many of these factors are outside the Company's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and market players. The Company neither plans nor undertakes to update any forward-looking statements.

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