



WACKER NEUSON

Annual Report 2007



Together,
we can move mountains

Highlights of fiscal 2007

■ We are a leading global manufacturer of high-quality light and compact equipment, delivering outstanding product and service quality. Our product offering includes equipment from over 300 product groups, all aligned with the needs of professional users in mainstream construction, gardening, landscaping and agriculture as well as in the municipal, recycling and industrial sectors. With over 30 affiliates and more than 180 sales and service stations, we have the consulting and support depth and reach necessary to give our customers the best possible service.



Impressive product portfolio

bauma 2007 trade fair ■ At the bauma trade fair in Munich in April 2007, we were able to present an impressive range of new products from the light and compact equipment business segments.

Wacker's IPO

Frankfurt Stock Exchange ■ May 15 saw Wacker launch its IPO. This step proved a resounding success, with a share price range of EUR 18.00 to 22.00 and an initial listing price of EUR 24.60.



Expansion of compact equipment offering

Merger with Neuson Kramer ■ In October, Wacker merged with Neuson Kramer. This move, which the company announced at the time of the IPO, has created a major global manufacturer of light and compact equipment.

Figures at a glance

Wacker Group at December 31

in € million	2007	2006	2005
	Including Q4 Neuson Kramer with PPA ¹ (without PPA)		
Key figures			
Sales	742.1	619.3	503.2
by region			
Europe	520.7	391.1	301.1
Americas	196.1	205	182.7
Asia	25.3	23.2	19.4
by business segment ²			
Light Equipment	405.3	388.3	329.1
Compact Equipment	178.2	87.5	45.8
Services	158.6	143.5	128.3
EBITDA (without PPA)	117.0 (119.6)	100.2	70.3
Depreciation and amortization	38.1	23.6	19.6
EBIT (without PPA)	78.9 (90.4)	76.7	50.7
EBT	78.2	76.2	50.4
Profit for the period (without PPA)	54.1 (62.0)	48.5	31.3
Number of employees	3,659	2,837	2,630
Share			
Earnings per share in €	1.10	1.19	0.77
Dividends in €	0.50 ³	0.62	0.38
Key profit figures			
Gross profit in %	38.1	41.3	42.3
EBITDA margin as a % (without PPA)	15.8 (16.1)	16.2	14.0
EBIT margin as a % (without PPA)	10.6 (12.2)	12.4	10.1
Key figures from the balance sheet			
Property, plant and equipment	697.0	229.2	202.5
Current assets	517.5	245.8	240.6
Equity	912.7	282.4	289.9
Net borrowings	- 43.1	45.1	9.4
Liabilities	301.8	192.6	153.2
Equity ratio as a %	75.2	59.5	65.4
Working capital	271.5	158.6	154.6
Cash flow			
Cash flow from operating activities	55.0	49.1	44.9
Cash flow from investing activities	- 141.8	- 41.6	- 89.8
Cash flow from financing activities	96.4	- 23.0 ⁴	40.6
Free cash flow	62.1	22.6	10.3

¹ PPA = Purchase price allocation. Purchase price allocation describes the process where purchase costs resulting from acquisitions are allocated to individually acquired assets, liabilities and contingent liabilities, which are measured at fair value.

² Consolidated sales after discounts

³ Dividend payment proposed at the AGM on June 3, 2008. Further information as on page 88.

⁴ Refer to the cash flow statement (page 126) to compare with figures disclosed for the previous year.

Additional information¹

in € million	2007	2007	2007	2006	2007	2007	2006
	Including Q4 Neuson Kramer without PPA ²	Including Q4 Neuson Kramer with PPA	Wacker ³	Wacker ³	Wacker Neuson ⁴ (pro forma) without PPA	Wacker Neuson ⁴ (pro forma) with PPA	Wacker Neuson (pro forma) with PPA
Sales	742.1	742.1	658.2	619.3	979.5	979.5	883.2
EBITDA	119.6	117.0	106.1	100.2	162.2	157.4	142.8
EBITDA margin as a %	16.1	15.8	16.1	16.2	16.6	16.1	16.2
EBIT	90.4	78.9	78.2	76.7	130.3	112.6	105.6
EBIT margin as a %	12.2	10.6	11.9	12.4	13.3	11.5	12.0
Profit for the period	62.0	54.1	54.3	48.5	87.3	75.0	72.8

¹ You will find more information in the tables on pages 178–179.

² PPA = Purchase price allocation. Purchase price allocation describes the process where purchase costs resulting from acquisitions are allocated to individually acquired assets, liabilities and contingent liabilities, which are measured at fair value.

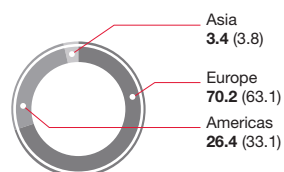
³ Without Neuson Kramer subgroup

⁴ 11 months only for NEUSON Baumaschinen GmbH (February 1–December 31)

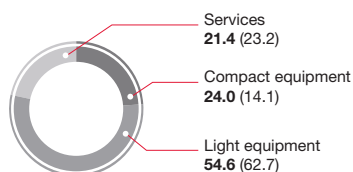
Sales distribution

in % (previous year)

by region



by business segment



Multi-year comparison sales

in € million



Our business segments

Light Equipment

With the business fields:

Concrete technology
Soil and asphalt compaction
Demolition
Utility

Compact Equipment

Mini and compact excavators
Wheel loaders
Skid-steer loaders
Telescopic handlers
Dumpers

Services

With the business fields:

Service
Rental (Central and Eastern Europe)

Our Strategy

Wacker has been one of the world's leading manufacturers of light construction equipment for several decades now. Users the world over rely on our products every day. Our customers expect a lot – the highest standards of quality and safety, rapid and reliable service, state-of-the-art, process-driven technology and compelling design.

To meet our customers' diverse needs, we decided to move up a notch and also offer products from the compact equipment segment, which comprises machinery weighing up to 14 tons. Following the acquisition of Weidemann GmbH, a leading manufacturer of wheel loaders for the agricultural industry, we decided even before our IPO to merge with NEUSON KRAMER Baumaschinen AG, based in Linz, Austria – a leading European full-line supplier of compact equipment. On completion of the merger in 2007, we set ourselves the target of distributing our compact line through our global sales and service network and further expanding our light and compact offerings.

Clear **focus**

Full-line supplier of light and compact equipment
for construction sites the world over

Spacious cabins with comfortable
seats, two driving speeds, hydraulically
balanced pedals, powerful 24.3 hp
engine, easy service access, detachable
cabin, no tail projection



A man in a dark blue suit, light blue shirt, and yellow patterned tie is standing and measuring a yellow excavator with a yellow tape measure. The excavator is shown in a semi-transparent, cutaway style, revealing its internal components like the engine, suspension, and wheels. The background is plain white.

Maximum flexibility

Personalized service through
worldwide footprint, regional focus
and smooth logistics

Outstanding maneuverability thanks to infra-red remote control and articulated steering,
1.6 m turning radius, very versatile and compact design, low center of gravity for use on
various types of terrain, 50 % gradability



“Our technology vision is driven by long-term, ambitious goals.”

Hans-Heinrich Schmidt, Head of Technology
Weidemann GmbH, Diemelsee-Flechtdorf, Germany

Moving forward – step by step ■ A manufacturer of high-quality construction equipment, Wacker at the end of 2004 specializes in the strategic fields of concrete technology, soil and asphalt compaction, demolition and utility. In other words, light equipment weighing up to 3 tons. The product portfolio lacks compact machinery such as wheel loaders and mini excavators. However, the aim has long since been to become a full-line supplier for light and compact equipment.

The company certainly has no shortage of expertise in this segment, having been distributing, renting, and maintaining compact machinery from Bobcat since 1999 in Switzerland, 2000 in Austria and 2002 in Germany. This has enabled Wacker to gather valuable experience for the next step on its journey forward. And soon customers are also pressing for compact equipment designed to Wacker's proven standards of quality.

In April 2005, the company takes a large stride in the right direction by acquiring the compact equipment manufacturer Weidemann, based in North Hessen, Germany. Weidemann produces wheel loaders and telescopic handlers for the agricultural industry – so the equipment will obviously have to be adapted for use in construction. Sure enough, after just over a year, Wacker's first construction-industry wheel loaders are ready for rental. And at the bauma trade fair in spring 2007, customers are presented with a whole line of wheel loaders ideally suited to the rigors of construction sites.

Wacker's wheel loaders built on the Weidemann platform are extremely versatile, featuring the articulated steering feature popular in this segment. However, construction users also require machines with high cornering stability and all-wheel steering. Demand for mini excavators, dumpers and telescopic handlers is also growing. And that's where our rental equipment supplier, NEUSON KRAMER Baumaschinen AG, comes in.

Focus

“Only an extremely flexible organization can offer flexibility to its customers.”

Javier Fernandez, Head of Wacker Ibérica, Madrid



At home the world over ■ Wacker has several options for broadening its product range in the compact equipment category. As well as drawing on years of proprietary innovations, the company also has acquisitions, strategic alliances and mergers to consider. Whatever route Wacker chooses to follow, the company's strong global sales network gives it a valuable lead on the competition.

The company has long since been at home in the US, for instance – and after 50 years, our customers there consider Wacker an American company. Not only in the US but everywhere we do business, we take care to ensure our processes and products are flexible enough to align with local market dynamics and cus-

Whatever route Wacker chooses to follow, the company's strong global sales network gives it a valuable lead on the competition.

tomer requirements. In other words, “all business is local”.

In Central Europe, for example, Wacker maintains a direct sales network. However, in France, Great Britain,

Spain and Scandinavia, we usually cooperate with major retailers, while our customer base in the US spans both retailers and large rental companies. Regardless of the sales channel, our customers worldwide can rely on Wacker for customer proximity, reliable and robust technology, and speed of service.

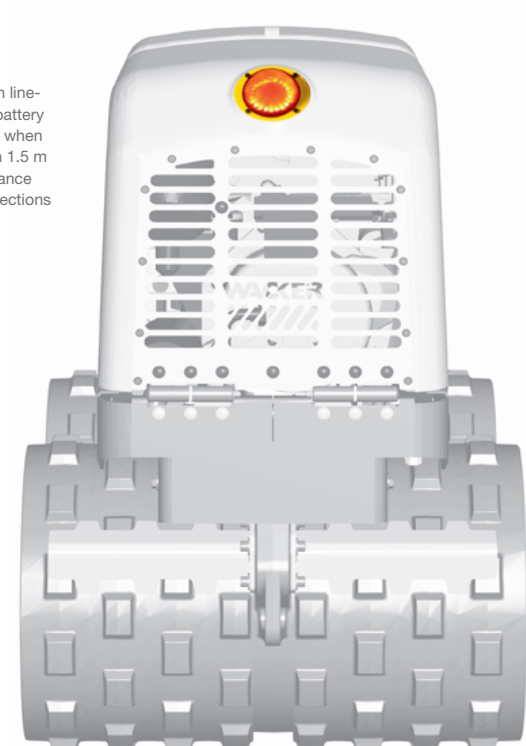
A high level of flexibility is firmly rooted in our internal organization. At our production plant near Munich, Germany, our employees determine their own working hours depending on order volume, for instance. We also train our staff in as many production steps as possible. This means that staff numbers are in synch with the work volume. Above all, Wacker is flexible when it comes to anticipating our customers' needs. We are currently investing heavily in the expansion of our rental business in Central and Eastern Europe so we can meet rising demand for rental equipment, for example.

Flexibility

All-out safety

Technical safety for users, medium
and long-term investment security
for shareholders

Smart Control system with line-
of-sight control, 16-hour battery
operation, automatic stop when
the operator comes within 1.5 m
of the unit, maximum distance
to operator: 20 m in all directions





300 mm rubber tracks, perfectly balanced design, maximum stability, 30° gradability, balancing weight for increased stability: + 15 %, X-shaped chassis frame

In-depth **know-how**

Across the world:

We provide optimum support for our customers' processes – drawing on our experience and in-depth process know-how right across our extremely broad portfolio.

“Customers the world over rate
our process know-how.”

Flauzino Zanini, Head of International Sales,
Munich, Germany



Across the broadest spectrum ■ At Wacker, the customer is always centre stage. From the desert to permafrost tundra, we have the perfect solution for every construction challenge. This calls for a high level of expertise from all our employees in every area, from technology through logistics and sales to service. To keep the knowledge and skills of our staff at the cutting edge, we opened the Wacker Academy in 2007.

Our Group engineers understand our customers' processes and develop products to support those processes. And they certainly have an impressive pool of knowledge to draw on – every single offering in our huge light equipment portfolio

comprising over 250 different product groups is helping customers master at least one process.

Our constant pursuit of new and better products is fueled by intensive research work, attaining a

first-class level in fields such as simulation, damage prevention and automation. Standard products available for purchase from third parties often fail to satisfy weight and size requirements or the heavy usage and wear-and-tear machinery has to withstand on construction sites. To ensure across-the-board compliance, we therefore ensure a high degree of vertical integration in various different areas.

We also expect outstanding dedication and wide-ranging knowledge from our executives at all locations. An internationally positioned company such as ours with decentralized, regional structures requires a high degree of local maneuverability and autonomy. Wacker's management is confident that it has struck the right balance between local responsibility and central governance. The strengths of this strategy lie in our ability to cover the full spectrum – extending from our vast product range to our flexible sales systems.

**Our Group engineers understand
our customers' processes and
develop products to support those
processes.**

Know-how



“We never lose sight
of your safety.”

Michael Steffen, Head of Electric Equipment
and Electronics, Light Equipment, Munich, Germany

A trustworthy partner ■ It goes without saying that Wacker devotes a major part of its development budget to the safety and ergonomics of its products. After all, our focus is on the people who use our equipment. They have to be able to tolerate the vibration and noise of their equipment; they also have to be able to rely on its electrical safety in wet conditions and extreme temperatures. And the right selection of safety switches is essential to prevent critical situations ever occurring.

Another important dimension of reliability for our customers is ensuring that equipment failures do not result in expensive downtime on their construction sites. Wacker's dense service networks guarantee rapid repairs, while our smooth logistics chains speed spare parts as quickly as possible to their destination.

The in-depth experience and thousands of working hours this represents are also a source of security for the company itself. It would not be impossible to imitate certain Wacker products within a reasonable timeframe (albeit to an inferior standard of quality). However, there is no way any market player can hope to emulate our global service footprint and trusted partner status.

Last but not least, our shareholders also demand security. We secure the future of their investments through cost-conscious and strategic deployment of all resources and funds, high transparency, forward-looking and carefully implemented strategies, and market-driven planning and governance. However, the most important safeguards of all lie in the quality and dedication of our workforce – a source of great pride to both Wacker and our merger partner.

Safety

Robust

performance

To fuel growth:
Highly motivated employees
and financial clout



Water-cooled 3-cylinder diesel engine, 15.6 kW electrical starter, engine control unit with diagnostic LED displays, easily accessible, rust-proof and practically shock-proof tail cover



Up to 2.74 m digging depth,
double-action auxiliary hydraulics,
large depressurized return line
for use with a hammer, 15.4 kN
digging force and 22.5 kN break-
away force

✓ POWERFUL
✓ LONG-LASTING ✓
✓ INNOVATIVE
✓ RELIABLE ✓

Creative **talent**

Securing our lead through
first-class research and business
development



“Our customers’ processes are constantly evolving – and precisely this evolution is what inspires our research work.”

Bernd Peiler, Head of Sales Region Germany North, Berlin

Innovation within and beyond company walls ■ Wacker is already a market and technology leader in strategic product fields. But staying ahead and building on our success means that we constantly need to deepen our knowledge and enhance our product portfolio. And that’s why the Group invests heavily in research and development. However, we are careful to keep a sense of perspective – there’s nothing to say that every innovation must stem from our own development centers. To close gaps in our product offering and shorten time to market, we also regularly consider acquisitions.

We move ahead with these acquisitions wherever they make good strategic sense. Acquiring Ground Heaters, Inc. enabled us to tap a whole new product segment, for instance. The US company produces portable hydronic heating equipment that allows underground construction and concrete work to proceed even in frosty conditions – and is enjoying great success, as the 2007 results show. And thanks to expertise from the Swiss-based Drillfix AG, we will be supplementing our concrete technology products with a high-performance rebar tying tool in 2008. Both these acquisitions from 2006 have played an important role in rounding out our light equipment portfolio for the construction industry.

However, Wacker management has by no means lost sight of the company’s main strategic path – expanding its compact equipment offering. In tandem, we aim in the near future and beyond to improve penetration of existing markets. This particularly applies to regions such as Asia and Eastern Europe, where we are only starting to unlock their potential. But even in established Wacker territory such as the US, we are constantly identifying new opportunities, for instance with our new compact category.

“Honest communication is an integral part of our corporate culture.”

Nina Severin, Human Resources, Recruiting,
Munich, Germany



Performance that extends beyond our products ■ Broadening and continually enhancing our product portfolio requires just as much motivational drive as it does financial backing. Thankfully, we do not need to worry about either. Our growth strategy rests on a firm financial foundation. Our IPO in spring 2007 generated net proceeds of approximately EUR 153 million. In conjunction with our high cash flow and current equity ratio of around 75 percent, this means the Group is in a position to complement organic investment-driven growth with acquisitions to the value of several hundred million euros.

Our growth is also powered by our global presence. Even when the construction industry is experiencing economic problems in one region, we are usually

With over 180 locations worldwide, we are always close to our customers.

able to compensate for the downturn across other countries. With over 180 locations worldwide, we are always close to our customers – not only to support them with

consulting and service activities, but also to gain new process knowledge from their construction sites, which flows into our subsequent product development and enhancement activities.

Naturally, all our growth plans would come to nothing without the drive and competence of our workforce spurring the company on. In considering potential partners, we were keen to find a similar corporate culture and comparable team spirit among its staff. After all, the smaller the cultural differences between companies, the easier it is for the companies to come together.

Performance

May

German (May 4) and Austrian (May 11) antitrust authorities authorize merger

May 15

Wacker shares listed for first time on the Frankfurt Stock Exchange



Sheep foot drums and integrated
exciters can compact up to
1.2 ha of terrain per day, 68.4 kN
centrifugal force, maximum
speed of 40 m per minute, 820 mm
wide drum

New **profile**

Merger creates a market
player of exceptional standing –
Wacker Neuson

Profitable growth

Momentum through new products
distributed globally fuels expansion
of production capacity



Maximum digging height of 4.3 m,
up to 125° boom system slewing
angle, 4.8 m digging radius, double
variable displacement pump and
double gear pump, intelligent
hydraulics, hydraulic oil cooler



“We believe in the kind of growth that constantly pushes up the bar for reliability and quality.”

Josef Erlinger, Head of Technology
Compact excavators, Linz, Austria

Growth

Global compact equipment platform ■ The course for the next phase of Wacker’s sustainable growth strategy was set at an early stage, with the company well positioned for organic expansion. However, rapid enlargement of the compact equipment offering would obviously be more promising. To achieve this and bypass years of proprietary development, Wacker would need a partner with the right product portfolio. And assuming this partner was looking for a global sales network, Wacker would be able to bring its worldwide presence to the table.

The ideal scenario would be to drop a full range of compact equipment onto Wacker’s established global sales platform. This would make the compact category available within the foreseeable future to US customers, among others, who had already expressed strong interest. And expanding the network of exclusive retailers for the entire product portfolio would also add impetus to the company’s expansion in the US.

In Central and Eastern Europe, demand for Wacker’s rental equipment in particular is rising. Increasing numbers of construction companies worldwide are turning to the rental model as a useful supplement to purchasing. Wacker is re-

sponding to this trend in regions where rental does not conflict with our existing customer base by investing heavily in its rental park, where compact machinery also plays a major role.

Particularly in the compact category, the projected rise in demand looked set to rapidly exceed output, even allowing for

So to ensure we could continue to meet our customers’ needs, we have already begun to invest heavily in expanding our production capacity.

additional partner capacity. So to ensure we could continue to meet our customers’ needs, we have already begun to invest heavily in expanding our production capacity.

“Both customers and employees are set to benefit from the massive synergized potential of the new company.”

Karl Friedrich Hauri, Head of Sales Kramer Werke GmbH, Überlingen, Germany



Global light and compact equipment player ■ After a good three years of preparation and groundwork, Wacker was able to realize its partnership plans. NEUSON KRAMER Baumaschinen AG, the prestigious compact equipment manufacturer based in Linz (Austria), merged with Wacker Construction Equipment AG in October 2007. The shareholders of both companies certainly approached this milestone in company development at a brisk pace, only having stepped up the merger discussions in fall 2006.

Merging these two companies holds several benefits for our customers, public and family shareholders, and employees. Complementary portfolios render the consolidated company substantially more attractive as a full-line supplier, and its compact equipment distribution is now on a global footing. It also means former Neuson Kramer shareholders receive listed shares. Neuson Kramer itself first considered an IPO back in 2002.

The merger has created a new organization: **Wacker Neuson**, a leading global manufacturer of light and compact equipment with an unparalleled, wide-ranging portfolio comprising over 300 product groups. But this union is not just the perfect fit in terms of products and footprint. Although that is impressive enough, given that the new company's global footprint is unmatched in the industry. Above and beyond this, however, corporate cultures, technical strategies and work ethics also overlap to a large degree, providing additional momentum for the company's future success.

For our customers, what counts above all is the outstanding, quality-driven image and the power of both companies – which already achieved tremendous success as individual market players.

Together,

we can move mountains ...

... as a global manufacturer of light and compact equipment, we offer an unparalleled product portfolio ...





The intelligent trench roller and high-performance compacter RT82 – one of 250 product groups from the light equipment business segment (left).
The Zero Tail track excavator 28Z3 (right) – one of more than 40 products from the compact equipment business segment.



CONCRETE TECHNOLOGY

Ride-on trowels



Walk-behind trowels



Rebar cutters



Internal vibrators



SOIL AND ASPHALT COMPACTION

Vibratory rammers



Vibratory plates



Asphalt rollers



Trench rollers



DEMOLITION

Rotary hammer 10 kg class



Cut-off saws



Breakers



Floor saws



Light Equipment



UTILITY

Generators



Submersible pumps



Mobile heating equipment



Light towers



MINI AND COMPACT EXCAVATORS

Mini excavators



Midi excavators



Track excavators



Mobile excavators





WHEEL LOADERS

Wheel loaders (articulated steering)



Wheel loaders (all-wheel steering)



Telescopic wheel loaders



Wheel loaders for agriculture



SKID STEER LOADERS

Skid steer loaders



Skid steer loaders



Skid steer loaders



Track skid steer loaders



TELEHANDLERS

Telehandlers 9m lifting height



Telehandlers 7m lifting height



Telehandlers 7m lifting height



Telehandlers for agriculture





DUMPERS

Track dumpers



Wheel dumpers



Wheel dumpers with power swivel



Wheel dumpers with cabins



SERVICES

Parts repair



Parts exchange



Rental service



Maintenance



Finance



One strategy, one future: representing more than 3,600 employees at Wacker Neuson



Josef Erlinger

Head of Technology
Compact excavators,
Linz, Austria,
with the company since 1981



Javier Fernandez

Head of Wacker Ibérica, Madrid,
with the company since 1983



Bernd Peiler

Head of Sales Region Germany North, Berlin,
with the company since 1987



Hans-Heinrich Schmidt

Head of Technology
Weidemann GmbH,
Diemelsee-Flechtdorf, Germany,
with the company since 1975



Michael Steffen

Head of Electric Equipment and Electronics,
Light Equipment,
Munich, Germany,
with the company since 1987



Karl Friedrich Hauri

Head of Sales
Kramer Werke GmbH,
Überlingen, Germany,
with the company since 2002



Flauzino Zanini

Head of International Sales,
Munich, Germany,
with the company since 1988



Nina Severin

Human Resources, Recruiting,
Munich, Germany,
with the company since 2005

And now, sit back and relax?

By no means! 19.8 percent sales growth, Group profit of EUR 54.1 million and around EUR 70 million in investments all go to show that we are speeding ahead at full throttle. Extended production capacity and a fast-flowing pipeline of innovative ideas are setting the course today for continued profitable growth.

We have taken giant leaps over the last few years. And now, together, we can move mountains ...

To our shareholders

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Dr.-Ing. Georg Sick

CEO and President

Member of Group management/
the Executive Board since 1994

Responsible for human resources,
legal matters, corporate communication,
quality management and internal audit



Dipl.-Kfm. Richard Mayer

Member of the Executive Board

Member of Group management/
the Executive Board since 1998

Responsible for the Light Equipment
business segment



Mag. Günther C. Binder

Member of the Executive Board since October 2007
 Responsible for finance and IT
 Previously member of Group management/
 CFO at NEUSON KRAMER Baumaschinen AG
 (since 2001)

**Martin Lehner**

Deputy CEO since October 2007
 Responsible for Compact Equipment
 business segment
 Previously member of Group management/
 CEO at NEUSON KRAMER Baumaschinen AG
 (since 1998)

**Werner Schwind**

Member of the Executive Board
 Member of Group management/
 the Executive Board since 1993
 Responsible for sales, rental, logistics,
 service and marketing

Looking towards a successful future

In many respects, 2007 was an exceptional year in the history of the Wacker Group. Strategic milestones such as the IPO and the merger with Neuson Kramer propelled the company towards an even more successful future. Business journalist Joachim Weber interviewed Dr. Georg Sick about the company's achievements.

Dr. Sick, are you satisfied overall with fiscal 2007?

I'm extremely satisfied. Fiscal 2007 was a record year in our company's history, in terms of both sales and earnings. And Neuson Kramer, our merger partner, has never had a better year than 2007.

You clearly exceeded your 720-million-euro revenue forecast and just fell short of your EBITDA target. What were the main factors shaping these results?

On the whole, sales were robust. If you discount the effects of purchase price allocation, we also achieved our earnings targets. Which is no small feat considering the dampening impact of the property and mortgage crisis on new sales in the US during the last two months of the year on the one hand, and, on the other, the fact that exchange rates had a bigger effect than anticipated due to the sharp devaluation of the US dollar. These downward pressures were compounded by the cost and reserves in line with the merger. Despite these adverse conditions, we nonetheless again succeeded in increasing profit after tax before purchase price allocation.

But Wacker Construction Equipment AG shareholders were not as content. Shares have now fallen significantly below issue price and show no real signs of recovery. How do you explain that?

Of course, neither are we happy with the share performance, particularly since we had not released any negative announcements since our IPO. The situation is mainly attributable to the risk perceived by certain institutional investors. When the US property and mortgage crisis began in the late summer of 2007, they anticipated that a company such as Wacker, a US market leader, would

“Our strong performance this year is reflected in our dividend payout.”

Dr.-Ing. Georg Sick,
CEO and President



be heavily hit. As such they sold our stock, which placed substantial pressure on the share price. We also felt the effects of the general trend away from small and mid-sized stocks. However, analysts continue to rate the Wacker share very highly, and some former investors have already repurchased stock or indicated an interest in doing so. Company management, family shareholders and employees, who all bought a reasonable volume of shares at the time of our IPO and have thus also been affected by the downward pressure on our listing, continue to focus on our strengths as a company and keep their sights on our long-term prospects.

Wacker went public in late spring 2007. Do you feel that the timing and issue price were well chosen?

The timing was certainly favorable – demand for our shares was very high and we were 20 times oversubscribed. None of the investors expressed doubts about market conditions in the construction industry, and their opinion was that our business model had a promising future, which remains the case. Market experts also considered our issue price to be fair and our share initially experienced strong upward momentum.

How do things stand with dividends this year?

The Wacker share is a sound investment, and that's the way we intend to keep it. The Articles of Association require that we pay out at least 30 percent of net earnings, but this has been as high as 50 percent in the past. For 2007, we

propose to pay out a dividend of 0.27 euros per share along with a bonus of 0.23 euros, which brings the total to 0.50 euros per share. This applies to 70.14 million eligible shares, compared with 39.15 million eligible shares last year. In total therefore, we will be paying out 35.07 million euros, which is clearly higher than last year's figure of 24.27 million euros. Excluding the bonus, the distribution ratio pans out at 35 percent based on the audited Group profit after purchase price allocation in the amount of 54.1 million euros. Based on the pro-forma profit figures of the Wacker Neuson Group before purchase price allocation in the amount of 87.3 million euros, the distribution ratio including the bonus – 0.50 euros per share – corresponds to 40 percent.

What is your concrete forecast for 2008?

Sales this year are aspired to top the billion-euro mark. This would keep us on the 20 percent average annual growth path established over the past four years, defined in part through our acquisitions and the merger. We plan to drive growth through various investments. During the current fiscal year, we will increase our investment budget beyond 100 million euros. In particular, we will be looking to expand the rental business in Central and Eastern Europe and increase our production capacity. We will achieve this through a new wheel loader plant for Kramer in Germany, for example, and we are also investigating suitable acquisitions. Our equity ratio is approximately 75 percent and we have a cash flow of 43 million euros. Numerous investors are thus putting our acquisition power at several hundred million euros. However, we continue to prefer organic growth – although we will of course keep a keen eye out for promising acquisition opportunities.

What impact is the global credit crisis having on your strategy? Do you need to adjust key elements of your plans?

Adjustments are not necessary in Europe. In the US, we are of course noticing a slowdown in construction activity, which obviously has a dampening effect on equipment sales. But in almost 160 years of company history, we have

repeatedly experienced local slumps in construction, which we have generally been able to counterbalance thanks to our international presence. From our point of view, the current crisis is primarily localized to the US market, so business in Canada and South America, for example, has remained largely unaffected.

Do you still see the US construction market as a growth market in the long term?

The country has a strong dynamic and a certain resilience, plus its population is growing and it is in urgent need of infrastructure investments. So we are confident that it will bounce back rapidly from this kind of crisis. We are at the forefront of the market there and will also be capitalizing on our outstanding position to launch the compact equipment range from our merger partner, Neuson Kramer. This will involve rolling out 14 high-grade compact construction models on the US market in 2008. Drawing on the latest in design and technology, these new products will help us counteract the current trend. Since we still need to invest in market penetration and employee training, we won't be able to compensate for the slowdown straight away in the first year, but this is certainly viable in the medium term.

The construction industry is only starting to take off in Asia and Eastern Europe. What measures are you taking to make sure you get a slice of the cake?

China and, to an increasing extent, India are very important to us. But realistically, we have to accept that our equipment and machinery will only fully come into its own at a later stage of the infrastructure lifecycle in these countries. Our business is driven by smaller-scale construction work, so demand will really kick in when it comes to repairs and reconstruction projects. Nevertheless, we anticipate an upturn in our Asian operations, and are confident of double-digit growth in China. We were also quick to roll out our products in Eastern Europe and have set a stake in the ground by establishing our own subsidiaries. So we already hold a strong starting position there, as reflected in high double-digit growth rates in the region last year.

How is collaboration between the two companies working out now?

The integration process is advancing fast. We have now formed several teams, which are analyzing the situation in their areas and defining the nature of future collaboration. It was very important to us to do this at grass-roots level and award our staff a high degree of autonomy and involvement. This sense of autonomy and involvement fosters a strong feeling of motivation in our employees, which is already perceptible across the entire Group.

With this merger, Wacker has achieved its long-term goal of becoming a global supplier of light and compact construction equipment. What are your next objectives?

The first thing is to successfully roll out our compact equipment range across all our sales regions. We are also constantly working to fill gaps in our product portfolios, whether through proprietary developments or acquisitions. There are various products in the compact category that we do not yet offer, so we certainly see a need to further supplement our portfolio there. A new sector is also opening up for us in the area of attachments. This segment spans light and compact equipment and thus draws on the know-how we have accumulated in each of those fields. Finally, we also intend to forge ahead with our regional development program. Busy times lie ahead – and I certainly look forward to tackling new challenges.

Thank you very much for taking the time to answer our questions Dr. Sick.



■ **Joachim Weber – business journalist**

Having completed an internship as an industrial manager in mechanical engineering and a degree in business administration with a major in information systems at the University of Hamburg, Joachim Weber went on to work as a business correspondent for the German daily newspapers “Die Welt” and “Handelsblatt” during the period from 1974 to the end of 2007. Today, he works as a freelance journalist, concentrating on the areas where he feels most at home – bridging the gap between the financial world and industry. Precisely the type of journalist we would like to see more of in Germany.

Report by the Supervisory Board

Dear Ladies and Gentlemen,

2007 marked a new chapter in our company history. Firstly, Wacker went public and then Wacker Construction Equipment AG merged with NEUSON KRAMER Baumaschinen AG. The merger was a smooth process and did not result in any operational hitches for either company. This success is largely attributable to the dedication and readiness to assume responsibility demonstrated by our employees, which was a great support to the management of both companies. We would like to thank our employees in particular for this achievement.

Despite the challenges implicit in these changes, this support backbone enabled us not only to maintain the growth path we have been on over the past few years, but in fact to actually step up the pace of growth once again. All three regions and strategic segments reported healthy growth figures. In addition, the merger and IPO were accompanied by numerous other projects within the company.

Cooperation between Supervisory and Executive Boards

In the period under review, the Supervisory Board performed the tasks assigned to it by law and the Articles of Association and was satisfied that the company was properly managed (corporate governance). Furthermore, the Supervisory Board regularly advised the Executive Board on the management of the Company and supervised management activities. It maintained continuous dialog with the Executive Board regarding business development and corporate strategy and was directly involved in all major decisions regarding the company.

Over the course of the year, twelve Supervisory Board meetings, one Audit Committee and two Presiding Committee meetings allowed the Supervisory Board to form a sound view of the work and policies of the Executive Board. In the run-up

Q&A with Mr. Neunteufel



Hans Neunteufel
Chairman

■ **Mr. Neunteufel, what is it like to be Chairman of the Supervisory Board?**

As decided at the time of the IPO, I was elected Chairman of the Supervisory Board as soon as the merger was completed in October. I would like to thank the members of the Supervisory Board and the Wacker family for their trust in me. Above all, I would like to thank Dr. Wacker, now Deputy Chairman of the Supervisory Board, for all of his exceptional work and pivotal role in making Wacker as strong as it is today.

■ **As founder, CEO and ultimately co-orchestrator of the merger, you were used to being in the front line. Is it hard to switch to the role of observer and supervisor?**

As founder of NEUSON KRAMER Baumaschinen AG, I have gathered a lot of experience over time and I'm happy to hand over operational responsibility at this stage. My experience and international connections will still be of strategic benefit to the merged company. It's also useful in my discussions and work with the Executive Board, which naturally has my and my colleagues' full backing.

■ **The merger doesn't just bring two companies together, it also unites two families. Do you think everyone will get along?**

I have every reason to believe so. We have the same aims and are all pulling together in the interest of the new company. Both companies were highly successful in their own right and I am convinced that Wacker Neuson will remain on the path to success – with the backing of a strong and forward-looking family network.

to and during these meetings, detailed written and verbal reports from the Executive Board kept the Supervisory Board up to date on business developments, changes in assets, profit and finances, fundamental issues regarding company planning, company strategy and other key measures. These reports were not only discussed in depth by the Supervisory Board during Supervisory Board meetings, they were also discussed with the Executive Board. Particular emphasis was placed on the company's strategic orientation during these joint discussions.

Although members of the Executive Board regularly took part in the meetings, the Supervisory Board and the committees also convened without the Executive Board, when necessary. Once again, all members of the Supervisory Board were present at more than half of the Supervisory Board Meetings in fiscal 2007.

Furthermore, the Executive Board provided the Supervisory Board with regular, comprehensive and timely information also between meetings about current business trends as well as special or urgent projects. This information was made available in writing and also in person. Where necessary, the Executive Board requested approval from the Supervisory Board for suggested courses of action. Together with the Executive Board, the Supervisory Board discussed and examined in detail proposals that required Supervisory Board ratification. The Supervisory Board voted on resolutions of this kind during scheduled meetings or in writing. In addition, the Executive Board submitted monthly reports on key financial and economic figures. The Chairman of the Supervisory Board was in regular contact with the Executive Board and was kept up to date on the current business and financial situation of the Company and its holdings as well as major business transactions. The Executive Board, in particular the CEO, also ensured a steady flow of information to the Chairman of the Supervisory Board.

Main topics of Supervisory Board meetings in fiscal 2007

This sound basis of information enabled the Supervisory Board to advise in depth and support the Executive Board with regard to all major decisions. Company strategy, the IPO and the merger with NEUSON KRAMER Baumaschinen AG were, of course, crucial decisions during the period under review.

Construction measures and company planning until 2009 were also approved, as were the balance sheet for the audited annual financial statements and the consolidated financial statements for 2006, following initial verification by the Audit Committee. The consolidated financial statements were also approved in the presence of the auditors. The suggested appropriation of net profit for fiscal 2006 was also ratified.

During numerous meetings, the Supervisory Board passed resolutions regarding measures subject to approval in relation to the IPO and the proposed merger. In September 2007, following detailed discussions, the Supervisory Board issued its final approval for the merger with NEUSON KRAMER Baumaschinen AG, closure of the contract, as well as the associated partial use of authorized capital II. Furthermore, the Supervisory Board approved the remit and remuneration agreement with P+P Pöllath + Partners Attorneys-at-Law and Tax Advisors. Supervisory Board member Dr. Matthias Bruse works for this company. In fiscal 2007, he provided legal consultation services.

Once the Presiding Committee had dealt with the Executive Board contracts of employment, the Supervisory Board appointed Martin Lehner and Günther C. Binder to the Executive Board of Wacker Construction Equipment AG in October 2007, whereby Martin Lehner was appointed Deputy CEO. The Supervisory Board also approved the new allocation of business fields and areas of responsibility for the Executive Board. In addition, it ratified further partial use of approved capital II as well as the conclusion of agreement concerning the merger between Wacker Construction Equipment AG and NEUSON KRAMER Baumaschinen AG with Kramer shareholders. The Supervisory and Executive Boards also approved the new rules of procedure, which include a catalog of measures requiring Supervisory Board approval.

Changes in the composition of the Supervisory Board

Following the appointment of shareholder representatives, the Supervisory Board appointed Dr. Ulrich Wacker Chairman of the Supervisory Board and Dr. Eberhard Kollmar Deputy Chairman during a constituent meeting in April 2007. The members and chairmen of the Presiding and the Audit Committee were also elected.

Following the resignation of Dr. Ulrich Wacker as Chairman of the Supervisory Board, Dr. Eberhard Kollmar as Deputy Chairman and the resignation of Dr. Matthias Bruse and Dietrich-Walrab von Buttlar, Hans Neunteufel was appointed Chairman of the Supervisory Board and Dr. Ulrich Wacker Deputy Chairman in October 2007. Kurt Helletzgruber became a member of the Supervisory Board following his appointment as replacement to Dietrich-Walrab von Buttlar during the Annual General Meeting on April 13, 2007. Dr. Eberhard Kollmar has retained his seat on the Supervisory Board together with employee representatives Elvis Schwarzmair and Herbert Santl.

The members of the Presiding and Audit Committees were then appointed, as was the Chairman of the Presiding Committee.

On behalf of the Supervisory Board, I would like to thank Dr. Matthias Bruse and Dietrich-Walrab von Buttlar for their commitment and support. We also extend particular thanks to Dr. Ulrich Wacker. His exceptional and lasting services have helped this now 160-year-old company thrive, and the merger has laid the foundations for further long-term growth.

Work performed by the Supervisory Board committees in fiscal 2007

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

The Audit Committee met once in fiscal 2007.

The chairmen of the committees reported on the work performed by the committees during the Supervisory Board meetings.

Risk assessment and compliance

The Supervisory Board is satisfied that the company's risk management policy meets the requirements set down in the German law on control and transparency in business (KonTraG), insurable risks are sufficiently insured and operational, financial and contractual risks are sufficiently controlled by approval procedures and organizational processes. A detailed risk reporting system is in place throughout the Group and it is continuously maintained and further developed. During Supervisory Board meetings and personal conversations, the Executive Board informed the Supervisory Board of the current risk situation.

In addition, the Audit Committee of the Supervisory Board dealt with compliance action items.

Corporate governance

Both the Supervisory and Executive Boards are aware that good corporate governance is essential to protect shareholder interests and secure the company's long-term success. The Supervisory Board continuously monitored the further development of the company's corporate governance standards and kept up to date with the capital market and corporate legislative framework. On March 4, 2008, the Executive and Supervisory Boards issued the new joint declaration of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG). The entire declaration has been made permanently available on the Company's website.

Annual and Consolidated Financial Statements for 2007

The Annual Financial Statements for the year ending December 31, 2007 were prepared by the Executive Board in accordance with the German Commercial Code (HGB). The Consolidated Financial Statements for the year ending December 31, 2007 were also prepared by the Executive Board in line with IFRS as adopted in the EU and the additional requirements pursuant to Section 315a of

the German Commercial Code (HGB). The auditing company Rölfs WP Partner AG has audited both sets of statements and approved them without qualification.

The Supervisory Board received the audit documents for appraisal in a timely manner. Together with the Audit Committee, the Supervisory Board undertook a thorough examination of the Annual Financial Statements as well as the Consolidated Financial Statements and the Group Management Reports in conjunction with the audit reports. The documents were discussed in detail at the Audit Committee meeting in March and at the plenary meeting on April 7, 2008 with the Executive Board and in the presence of the auditors, who reported the main findings of their audit. After its own close examination, the Supervisory Board found no cause to question the documents and endorses the audit report. The Supervisory Board also approves the management reports and, in particular, the forecast regarding the company's further development.

Following this detailed examination, the Supervisory Board raised no objections. It therefore endorses the Annual Financial Statements, Consolidated Financial Statements, Management Report and Group Management Report prepared by the Executive Board for the year ending December 31, 2007. The Annual Financial and Consolidated Statements have thus been duly approved.

The Supervisory Board also examined the Executive Board's suggested appropriation of profit and gave it its unqualified consent.

Examination of the Executive Board report regarding relations with associated companies (related party disclosures)

The Supervisory Board received the Executive Board report regarding relations with associated companies in fiscal 2007 in a timely manner. Following our own examination of the report's content and accuracy and a presentation of its individual findings by the Executive Board, the Supervisory Board approved the report.

The audit did not lead to any reservations. The report on related party disclosures was therefore given the following unqualified opinion pursuant to Section 313, Paragraph 3 of the German Stock Corporation Law (AktG).

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

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

During its meeting on April 7, 2008, the findings from the auditor’s report were presented to the Supervisory Board. The Supervisory Board approves the results of the auditor’s examination.

Following the conclusion of its own examination, the Supervisory Board has no objections to the closing statement by the Management Board.

The Supervisory Board would like to thank the Executive Board and all employees for their good work. Their dedication played a key role in ensuring the successful merger and a great year for Wacker Neuson.

Munich, April 7, 2008
Supervisory Board

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

Hans Neunteufel
Chairman

Active Investor Relations program

Despite jittery waves on the stock markets, the Investor Relations team at Wacker can look back on a busy and successful year. This is reflected not only in our successful IPO and merger with Neuson Kramer, but also in numerous international Investor Relations awards. Which gives us all the more reason to continue the good work for our investors and expand our IR service.

A major leap – going public

Successful IPO

Wacker's 159th year marked the beginning of a new era: the traditional, family-owned company became a publicly listed stock on May 15, 2007. With an issue price of EUR 22, the Wacker share was initially valued at EUR 24.60 on the Prime Standard segment of the Frankfurt Stock Exchange. Around 18.4 million shares were placed, of which 7.5 million originated from capital increases by means of contributions in kind prior to the IPO. 36.1 percent of this total was placed with public shareholders. The EUR 22 issue price propelled us to the top end of the EUR 18-22 price range, and we exercised our greenshoe option in full. The IPO generated net proceeds of EUR 153 million for the company, providing a sound basis for further expansion.

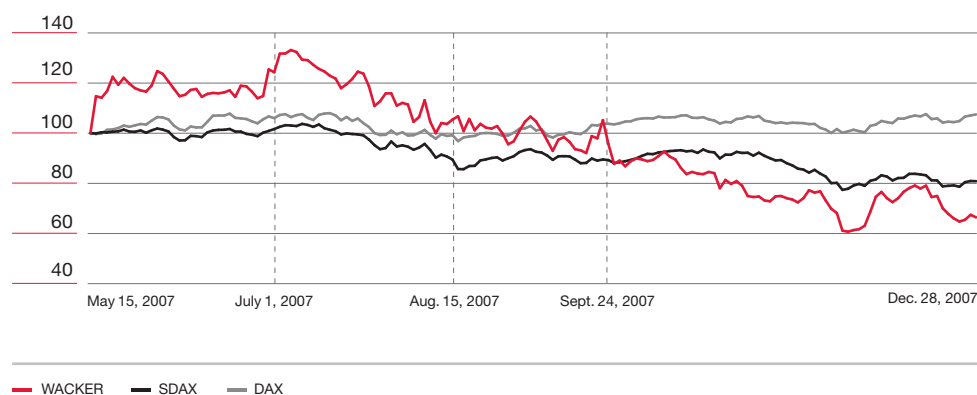
In the run-up to the IPO, we conducted intensive discussions with the coordinating banks about the IPO terms, hosted a 14-day roadshow across seven countries, organized around 90 meetings between the Executive Board and potential investors, and held numerous analyst consultations and press conferences. We also prepared a comprehensive securities prospectus, duly approved by financial and legal supervisory bodies. Three well-known banking companies, Deutsche Bank, Sal. Oppenheim jr. & Cie. KGaA, and UBS Investment Bank, acted as joint underwriters and designated sponsors.

Exit of LGB

Wacker had been planning to go public for a long time. Against that background, it seemed appropriate to offer our external stakeholder at the time, the financial investor Lindsay Goldberg & Bessemer (LGB), an exit opportunity back in July 2006. However, the stock market took such a negative turn at that point that we would not have generated anywhere near our planned proceeds. So we decided to call off the IPO before publishing the price range.

Share price trends

in %



This decision proved very wise. Our income in 2006 significantly overshoot external predictions, with a positive knock-on effect. Whereas analysts had valued the company at EUR 650 million in spring 2006, a year later they upped this to EUR 0.8–1.2 billion, paving the way for our second run at an IPO. This took place without LGB, however. Following three years of very valuable assistance from that investor, the Executive Board and Wacker family purchased its 31.5-percent stake in November 2006, ramping up their holding in Wacker Construction Equipment AG to 90 percent. At the time, the remaining 10 percent was held by the company.

A promising investment

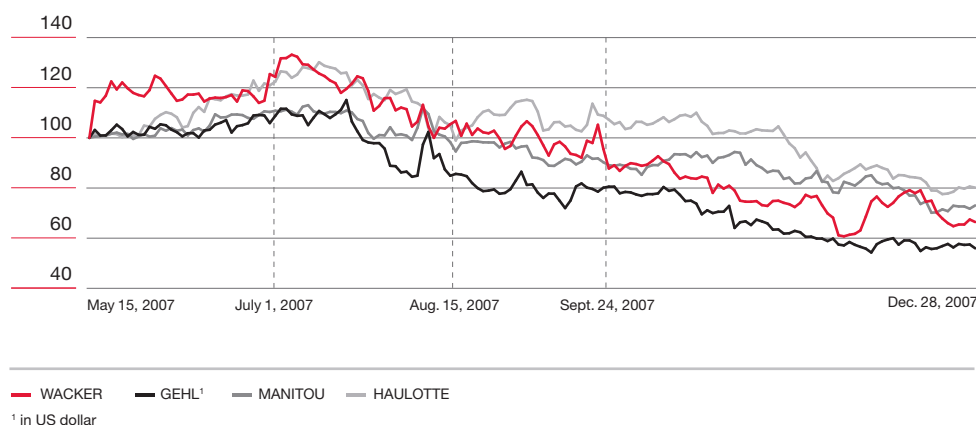
Downward pressure from
US real estate crisis

Our share price displayed a pleasing upwards trend from our IPO in mid-May 2007 to the middle of the year. On June 30, it reached EUR 27.60 – up 25.5 percent on the issue price of EUR 22, and at the start of July it peaked at EUR 29.76. However, as was the case for many other construction and construction supply companies, our stock was then hit by the surge in small and mid-cap sales and, in particular, the US real estate crisis. The general mood on the financial markets was one of skepticism regarding the future development of the international construction industry. Certain investors selling at peak price for short-term profits also played a role here. Other strong listed construction equipment manufacturers were also affected by these developments.

Share facts at a glance

ISIN	DE000WACK012
WKN	WACK01
Trading symbol	WAC
Sector	Industrial
Stock category	Individual no-par-value nominal shares
Share capital	EUR 70,140,000
Number of authorized shares	70,140,000 shares
	2,437,088 new shares (capital increase against contribution, Oct. 25, 2007)
	16,702,912 new shares (capital increase against contribution, Oct. 2, 2007)
Corporate actions	
Stock exchange segment	Official Market (Prime Standard) Frankfurt Stock Exchange

Share price trends plotted
against peers
in %



Listing on SDAX and merger with Neuson Kramer



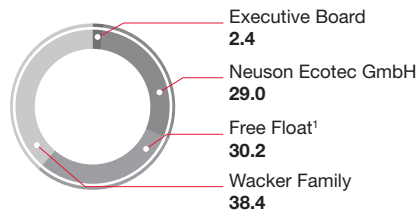
Positive news from our company, such as the listing of our shares on the SDAX on September 24 and the increase of our 2007 sales and profit forecasts in mid-November, was not able to alter the prevailing trend. The final announcement of our merger with NEUSON KRAMER Baumaschinen AG in September also had little effect. We had already given advance notice of our merger plans before the IPO, so it is likely that the market had priced it in from the beginning. Institutional investors, in particular, were evidently not receptive to the idea that, with its broadened product portfolio, Wacker is capable of expansion even in a stagnating or shrinking US market. However, we are confident that we can convince the market with hard facts in 2008. The above chart shows how the Wacker share has performed since the IPO. This is plotted against the US compact equipment manufacturer Gehl, one of our compact competitors Manitou, and lifting equipment specialist Haulotte.

Wacker's merger with NEUSON KRAMER Baumaschinen AG resulted in changes to the share capital and shareholder structure. As stated in the securities prospectus, we increased share capital from a nominal EUR 51 million to EUR 70.14 million in the course of consolidation. Along with a further 4.35 million shares from our own holdings, the 19.14 million new shares were distributed to shareholders of NEUSON KRAMER Baumaschinen AG, who transferred their organization to the new Wacker Neuson Group as a contribution in kind. The shares transferred to the former main shareholder Hans Neunteufel were incorporated in the existing pool of voting rights accruing to Wacker family shareholders.

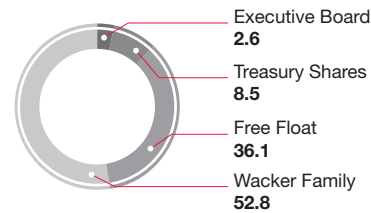
Dividends

Our shareholders stand to benefit from the strong performance of both merger partners in 2007. In view of these positive results, the Executive and Supervisory Boards of Wacker Construction Equipment AG will propose a dividend of EUR 0.27 plus a bonus of EUR 0.23 per eligible share at the AGM on June 3, 2008. This brings the total to 0.50 euros per eligible share, of which there are 70.14 million. Last year the company paid out EUR 0.62 for each of its 39.15 million eligible shares. In total therefore, the company will be paying out EUR 35.07 million (compared with EUR 24.27 million last year). Excluding the bonus, the distribution ratio pans out at 35 percent based on the Group profit after purchase price allocation in the amount of EUR 54.1 million. Based on the pro-forma profit figures of the Wacker Neuson Group before purchase price allocation in the amount of EUR 87.3 million, the distribution ratio including the bonus – EUR 0.50 per share – corresponds to 40 percent. This falls within the long-term framework specified by the Executive and Supervisory Boards.

Shareholder structure
in %



(as at March 31, 2008)



after the IPO and prior to the merger with
NEUSON KRAMER Baumaschinen AG²

¹ 3.02% of the company shares are held by
DWS Investment GmbH.

² after the Greenshoe option was fully exercised
in the course of the IPO

Active communication with our shareholders

We have been maintaining ongoing and active communication with the financial markets since our first run-up to flotation in 2006. Our aim is to ensure transparency for investors regarding company developments, our strategy, our business model, and the complexity of our markets. Our website is an important medium here, constantly updated to offer a wealth of up-to-date information. The merger with NEUSON KRAMER Baumaschinen AG means our entire website needs to be reworked, however, and we will be tackling this task during the course of 2008.

Close dialog with our investors

Our company also produces a large amount of hard-copy information to keep the public up to date, including annual and quarterly reports, press releases and ad hoc announcements, and presentations for a wide range of conferences and events. In 2007, the year of our IPO and merger with Neuson Kramer, this involved an increased workload – which we were more than happy to take on. The success of our team's efforts in this area has been appreciated during our first year as a listed company.



Our 2006 Annual Report received two awards:

- League of American Communications Professionals (LACP) in the following categories:
 - "Best Report Narrative" (Silver)
 - Top 100 Annual Reports of 2006 (Platinum, ranking 21 out of at least 2,500 submissions)
- Econ Award for corporate communication (Bronze)

In February and March 2008, we asked an independent consulting company to run a perception study among institutional investors and analysts. This involved asking financial market players how they rated our financial communication and the extent to which it meets their needs. We will be drawing on the results of this study to further optimize our Investor Relations activities.

Corporate Governance

Corporate governance takes high priority at Wacker. 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 towards securing our company's long-term success and increasing its value. Trust is a crucial element of our corporate culture – both between managers and staff and between the Executive and Supervisory Boards.

Role of statutory organs

The company's statutory organs are the Executive and Supervisory Boards and the AGM. The Executive Board represents the Group to third parties and manages its companies in accordance with legal regulations, the Articles Of Association, and the rules of procedure for the Executive Board. The Supervisory Board advises the Executive Board, monitors its activities, and participates in key decisions.

Executive and Supervisory Boards

The Executive Board is responsible for managing the Group and represents it both legally and otherwise. Its activities and decisions are aligned with the company's best interests, and decision-making is generally made by resolution with simple majority. CEO and President is Dr. Georg Sick. The Executive Board currently has five members, as the Supervisory Board appointed Martin Lehner and Günther Binder (both former members of the NEUSON KRAMER Baumaschinen AG Executive Board) to the Executive Board of Wacker Construction Equipment AG on October 18, 2007, in the course of the merger. Martin Lehner is Deputy CEO of the Board. The Supervisory Board itself has six members, of which four are shareholder representatives and two are employee representatives.

Intensive committee work

The Supervisory Board has formed two committees. The responsibilities of the Presiding Committee particularly include submitting proposals for Executive Board appointments, terminations, and mandate extensions; concluding, amending, and terminating contracts with Executive Board members; and preparing meetings and handling ongoing business. The Presiding Committee members are Hans Neunteufel, Dr. Ulrich Wacker, and Dr. Eberhard Kollmar. The Chairman of the Supervisory Board, Hans Neunteufel, also chairs the Presiding Committee.

The Audit Committee appoints auditors to review the Annual and Consolidated Financial Statements, determines the focal points of the audit, negotiates the fee agreement, receives the report, and assesses the auditor's independence. It also supports and monitors the Executive Board regarding accounting issues especially in relation to quarterly reports, risk management, and compliance. The Audit Committee members are Dr. Eberhard Kollmar, Hans Neunteufel, Kurt Helletzgruber, and Herbert Santl, and it is chaired by Dr. Eberhard Kollmar.

**German Corporate
Governance Code**

At Wacker, the Executive and Supervisory Boards view the German Corporate Governance Code as an important body of regulations. As a listed company with international shareholders, it is in our interests to make Germany a more attractive economic center for the global financial community. As far as we are concerned, this also extends beyond the Code to include general principles of fairness, honesty, and good conduct in our daily dealings with business partners. Last but not least, we also ensure our business activities comply with the legal provisions and official regulations in all countries in which we are represented. We regularly brief our employees on the necessities and rules of responsible conduct.

AGM

Focus on shareholders

Our Annual General Meeting this year will take place in Munich on June 3, 2008. This is in full compliance with demands from the financial markets for timely closure of the prior fiscal year through presentation of results to the AGM. Each share represents one vote, and the shares are registered by name. The Executive Board makes it easier for shareholders to exercise their voting rights at the AGM by offering the opportunity to delegate binding voting instructions to proxies named by the Group. These named proxies are also available at the AGM to shareholders present at the AGM. It is also possible to delegate voting rights to financial institutions, shareholder associations and other third parties.

Wacker Neuson SE

At the AGM on June 3, 2008, we intend to propose changing the Group's legal form to a European stock corporation (SE), renaming it Wacker Neuson SE. We will also suggest changing the Articles of Association to allow AGMs to be held at any location in Germany where the Group or one of its affiliates maintains operations.

Transparency

**Active communication with
external stakeholders**

Regular, active dialog with our shareholders and interested members of the public is one of the cornerstones of our corporate governance policy. We aim for the greatest possible transparency, providing shareholders, financial analysts, shareholder associations, and the media with regular and prompt information about business trends and significant changes within the company. We are fully committed to a policy of active and honest communication.

As stipulated by the German Securities Trading Act (WpHG) and 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 three quarterly reports and one annual report. The Executive Board also answers shareholder questions at the AGM. At Wacker, we use our Internet presence as a way of keeping our stakeholders up to date. All our press and ad-hoc releases and financial reports are constantly available here. Our website also features a financial calendar with key dates for the year, and interested parties can join our online distribution list to automatically receive company reports at regular intervals.

Declaration of compliance

Declaration of compliance with the German Corporate Governance Code in accordance with article 161, German Stock Corporation Law (AktG)

Passed in February 2002 and amended on June 14, 2007, the German Corporate Governance Code contains recommendations and proposals for managing and monitoring German listed companies in relation to shareholders and the AGM, the Executive and Supervisory Boards, transparency, accounting and auditing. German Stock Corporation Law (AktG) requires the Executive and Supervisory Boards of listed companies to declare each year the recommendations with which they did or do not comply.

Wacker's Executive and Supervisory Boards identify with the aims of the German Corporate Governance Code, supporting responsible, transparent, and sustainable management and control geared towards increasing company value. The following describes how we implement the recommendations.

In accordance with article 161 of German Stock Corporation Law (AktG), the Executive and Supervisory Boards of Wacker Construction Equipment AG declare that, from its IPO on May 15, 2007 to July 20, 2007, the company has complied and complies with the recommendations by the German Corporate Governance Code Commission published by the German Federal Ministry of Justice (BMJ) in the official section of the electronic Federal Gazette on July 4, 2003, as amended on June 12, 2006, and that, from July 21, 2007, it is complying with the recommendations by the German Corporate Governance Code Commission as amended on June 14, 2007 and issued July 20, 2007 (also in the official section of the electronic Federal Gazette), with the exceptions listed below.

The company has deviated and deviates from the Code's recommendations in the following respects:

1. **Section 3.8:** The Wacker Group's directors and officers' (D&O) liability insurance policies for its Executive and Supervisory Boards have been concluded without a deductible. The company does not believe that a deductible would improve the sense of motivation and

responsibility with which our Board members perform their duties. D&O insurance safeguards the company against substantial internal risks and protects the assets of members of its organs only as a secondary function.

2. **Section 4.2.2:** The Presiding Committee regularly examines and consults on the structure of the Executive Board remuneration system. Regular reports on the activities of the Supervisory Board committees, including the Presiding Committee, are provided at that Board's plenary meeting. The Executive and Supervisory Boards do not see the need for any further consulting or examination of the remuneration system structure in the Supervisory Board plenary meeting.
3. **Section 4.2.3, para. 6:** The AGM does not receive information about the main features of and changes to the remuneration system for Executive Board members.
4. **Sections 4.2.4; 4.2.5; 5.4.7, para. 3; 7.1.3:** The AGM has decided not to publish the income of each individual Executive Board member in the notes to the individual and consolidated financial statements. In line with this, the corporate governance report does not include a remuneration report. Remuneration details for individual Supervisory Board members will also not be published. The Executive and Supervisory Boards consider that the mandatory legal statements provide investors and the public with sufficient information in this area.
5. **Section 5.1.2, para. 2, sent. 3:** The Supervisory Board has not set an age limit for members of the Executive Board. The Supervisory Board members are convinced that individual performance is the defining factor in suitability for company management.
6. **Section 5.3.3:** 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 Supervisory Board candidates.
7. **Section 5.4.3, sent. 1 and 3:** In the 2007 AGM, the Supervisory Board was elected by block or list voting, in accordance with legal requirements. For efficiency reasons, election of the Supervisory Board will continue to be by block voting. So that the Supervisory Board can also continue to vote impartially for its chairperson, the proposed candidates will not be announced.
8. **Section 5.4.4:** The Executive and Supervisory Boards consider that in some cases, it may prove beneficial for former Executive Board members to transfer to the Supervisory Board

and even chair the Board or certain of its committees. The internal knowledge former Executive Board members have of company operations increases the efficiency of Supervisory Board monitoring. As long as Supervisory Board membership is well-balanced in accordance with the Code, the Executive and Supervisory Boards do not see any disadvantage here.

9. **Section 6.6:** Share ownership by individual members of statutory organs exceeding one percent of shares issued by the company has not been and will not be stated in the corporate governance report. The Executive Board considers that protecting personal and familial privacy takes priority here. Disclosures of the acquisition and sale of company shares by members of the Executive and Supervisory Boards or related parties are made in accordance with legal requirements and published on the company website (as stipulated by article 15a, German Securities Trading Act (WpHG)). This disclosure is not repeated in the corporate governance report.
10. **Section 7.1.2, sent. 3:** The consolidated financial statements (annual financial report) will be prepared and made publicly accessible within the legal deadlines (publication date: April 10, 2007). It is not possible to adhere to the 90-day period for the 2007 consolidated statement due to the additional effort entailed by the company merger with NEUSON KRAMER Baumaschinen AG. However, the company will endeavor to adhere to the 90-day period in future.

The company complied or complies in full with all other recommendations by the German Corporate Governance Code Commission as amended on June 14, 2007, issued July 20, 2007, and published in the official section of the electronic Federal Gazette.

Munich, March 2008

Wacker Construction Equipment AG
The Executive and Supervisory Boards



Dr. Georg Sick



Hans Neunteufel

This declaration of compliance is permanently available to shareholders on the Wacker Construction Equipment AG website at www.wackerneuson.com, and will be revised annually. Wacker Construction Equipment AG will make outdated declarations available on its website for a period of at least five years.

Business segments

Light Equipment

Within our light equipment business segment, we offer our customers equipment and machinery weighing up to around three tons. This mainly comprises walk-behind devices, although we also produce various remote-controlled and ride-on versions. The portfolio here extends to over 250 product groups, all characterized by their high quality and innovative design.

Market leadership



We have divided this segment into four strategic business fields: concrete technology, soil and asphalt compaction, demolition and utility.

Concrete technology

- Customers mainly use our equipment in this business field for concrete-curing walls, ceilings and floors in building construction, but it also comes into its own in infrastructure projects for concrete work on bridges, highways or tunnels. Our main product groups here are internal vibrators, external vibrators, frequency converters, low-noise vibratory tables, trowels and screeds.

Q&A with Mr. Mayer



Richard Mayer
Member of the Executive Board
Responsible for the Light
Equipment business segment

■ **What do construction-site users associate with Wacker Neuson light equipment?**

Best-in-class quality, top reliability and perfect service – although customers also point out that Wacker Neuson products are slightly more expensive than the competition. And that is exactly what we like to hear because nothing is more important to us than the knowledge that our customers appreciate the difference. We built the Wacker brand on our light equipment offering. Our overall image and strong orientation on the needs of the customers is the foundation of our success.

■ **How do you meet such a varied set of requirements across international markets?**

If you want to succeed at an international level, you have to be ready and willing to take on the complexity that this entails. Which is why it is so important that we align our product development processes at an early stage with concrete customer processes on site. Each field of application is viewed and handled individually. Which means our customers can always rely on the right price/performance.

■ **You have over 250 light equipment product groups. What kind of innovation pipeline are we looking at here?**

We regularly bring new innovations to market and fill the gaps in the customers' process chains. Take, for example, our new rebar cutter for cutting reinforcement steel in the concrete technology. Or our DPU 130 vibratory plate, that we presented as a concept at bauma. This vibratory plate is based on a completely new and worldwide unique compaction concept.

Soil and asphalt compaction

■ Wacker revolutionized soil compaction with the invention of the electric rammer in 1930 and gasoline rammer in 1952. Alongside later generations of the rammer family, our equipment in this field includes vibratory plates, rollers and attached compactors.

Demolition

■ This field covers breakers, cut-off saws and floor saws, all of which make demolition work significantly easier thanks to their power and user-friendly design. They allow our customers to tackle concrete, natural stone, brickwork and asphalt with equal success.

- Utility** ■ Our products in this business field support or simplify construction site activities. If a customer site lacks light or power, or conditions are wet or cold, these pumps, generators, heaters and lighting equipment are efficient ways to resolve these problems.

Please see pages 18 and 19 for a product overview.

Emphasis on research and development

Our extremely strong market position builds on innovative products tailored to construction-site requirements, and our research and development activities are key to maintaining this edge. In certain sections, our efforts even extend to pure or basic research.

You have to stand out
to be noticed

We protect our innovations with patents wherever possible and viable. Specialized institutes regularly evaluate each year's key product innovations and frequently recognize them with awards. These serve to promote an innovative spirit, highlighting manufacturers who are investing in research and development. They give potential purchasers of equipment and machinery a clear signal that their investments pay off in terms of increased productivity, efficiency and safety. They also ensure a competitive marketplace.

In fiscal 2007, we again received a number of awards for our products. Examples of these include:

RER Innovative Product Award:
BH 24 Gasoline breaker (left)
MC 5200 Drying system (middle)

Top 100 Award:
RD 12 Asphalt roller (right)



Compact Equipment for the construction industry

Our compact equipment business segment covers excavators, wheel loaders, telescopic handlers, skid-steer loaders and dumpers. All our products here are self-propelled machines, ideally suited to the various different processes in building, underground and highway construction, municipal, industrial and recycling projects, and the gardening, landscaping and agricultural sectors.

Customer proximity



All of our compact equipment is already well established on the European market.

Track and mobile excavators

- Our compact track and wheel excavators are renowned for their pioneering technology. Smooth, high-performance hydraulics, powerful engines, perfect service access, particularly roomy cabins and cutting-edge design are just some of the reasons customers choose these sophisticated machines. They also feature innovative Kippmatic technology, with continuous tilting of the superstructure to compensate for uneven terrain (up to 15°). Our full product line offers numerous models from 0.8 to 12 tons operating weight. These include four zero-tail models, where the tail does not project beyond the rubber tracks when pivoting.

Wheel loaders

- Our wheel loader portfolio offers numerous different versions and variants. We provide both all-wheel and articulated model series, with bucket capacity from 0.2 to 2.5 m³. These products are designed for operations in the most diverse settings, from traditional construction through gardening, landscaping and agriculture to municipal services and recycling activities.

We have the perfect machine for every user, application and decision-maker – all united by the high quality, robustness and ease of maintenance that we view as top priorities in equipment design.

- Telescopic handlers** ■ Our range of telescopic handlers resonates strongly among experts thanks to its hydrostatic drive concept, outstanding all-round visibility and impressive performance ratings. Thus far, this range includes four models with lifting heights between 5 and 9 meters.
- Skid-steer loaders** ■ Compact dimensions, powerful engine output, hydraulic pilot controls with load limit sensing control and comprehensive standard features place our skid-steer loaders miles ahead of the competition, even though they are relatively new to the market. Our range comprises four models fitted with different drive systems.
- Dumpers** ■ Our offering here consists of a range of wheel and track dumpers, all boasting optimum robustness, top quality and functionality, simple operation and cutting-edge design. We also provide models featuring glazed and heatable cabins, should conditions require them.

Please see pages 18 and 19 for a product overview.

Difference by design

Product design awards Our customers also place great value on the design of our equipment. Many of the experts view design as a direct indicator of the underlying concept and product integration capabilities. Neuson Kramer products in particular are widely recognized in the industry as pioneers of exceptional

iF product design award:
4107 Kramer telescopic
handler (left)
38Z3 Neuson excavator (right)



product
design
award

2007



design, winning several awards in this field in 2007. The 4107 (now 4507) Kramer telescopic handler and 28Z3 Neuson excavator received the iF product design award in the reporting year. This is one of the oldest awards of its kind worldwide. Neuson's distinctive square, red logo and striking lettering have been a byword for superior design for over 50 years. The 4107 Kramer telescopic handler was also nominated for the "Adolf Loos Staatspreis Design 2007", Austria's most prestigious design award.

Q&A with Mr. Lehner



Martin Lehner
Deputy CEO
Responsible for Compact
Equipment business segment

■ What are the key differences between Wacker Neuson and Kramer wheel loaders?

They use two different steering systems – either articulated or all-wheel. In fact, Wacker Neuson has the broadest product offering in both segments. Both steering concepts have their advantages. Which means we have the best system and the right machine for every customer and all purposes.

■ Are major technical adjustments required to distribute compact equipment in the USA?

We take account of US requirements at the development stage of our products in any case. So adjustments later on are essentially limited to ensuring compliance with safety provisions and providing different options tailored to the US market.

■ The agricultural industry has now picked up again – are you seeing the benefits?

Yes, definitely. Demand remains strong for Weidemann wheel loaders and the telescopic handlers Kramer produces for the Claas company, and we expect that to continue over the coming years. In 2008, we expect agricultural sales to account for around 10 percent of total Group revenue.

Our merger – adding value to customer processes

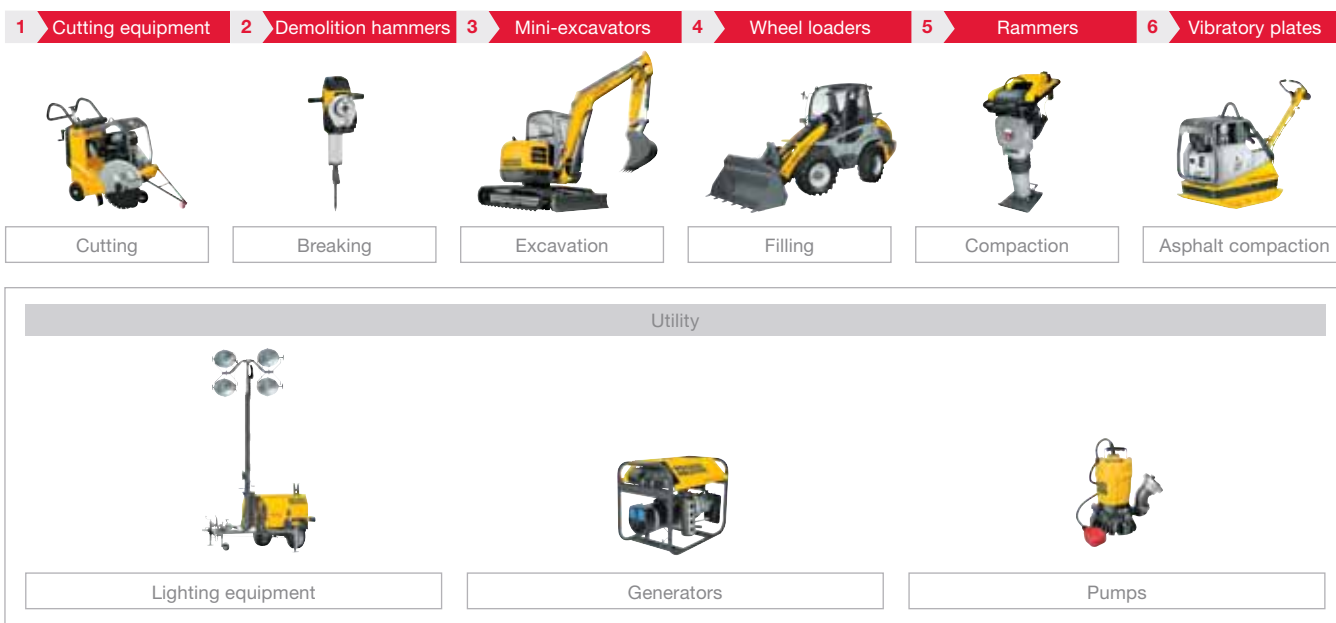
The effects of our merger can clearly be seen just by taking a simple, common construction process such as the man hole. Wacker was previously able to support the cutting, breaking and compacting steps here and provide the necessary utility equipment. But Wacker Neuson offers a one-stop solution.

Now complete

The man hole – one by two meters in size – is a typical construction process often used for urban infrastructure repairs, for instance. The work is time-critical: In the morning, the asphalt is cut and the hole excavated prior to repairs. In the evening, the hole is then filled in again, the backfill compacted and the asphalt cover closed. In the past, at least 9 light and compact machines were needed for this supposedly simple task. Plus it had to be possible to transport these machines quickly and easily.

Light and compact equipment

Ideal interplay



Compact Equipment for the agricultural industry

Small wheel loaders and telescopic handlers are the machines of choice across the widest range of agricultural farming tasks, whether it be on dairy, poultry, crop or mixed farms.

Flexibility

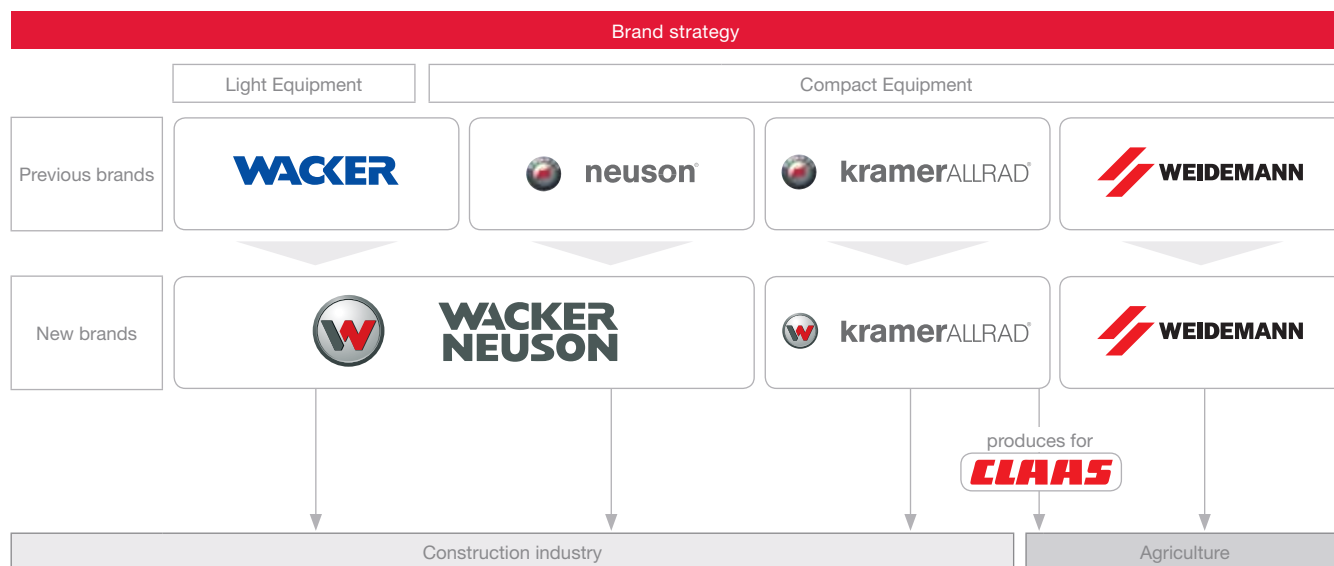


Building up our brands

Our affiliate Weidemann GmbH produces highly versatile Hoftrac® models, wheel loaders and telescopic handlers for the agricultural industry, including low-profile versions with narrow carriages. A wide range of practical attachments makes this machinery ideal for everyday use. Our customer base here primarily consists of large-stock farmers. Our new plant in Korbach, Germany has almost doubled our production capacity for construction and agricultural wheel loaders and shortened delivery times. Kramer Werke GmbH produces telescopic handlers for distribution by the agricultural machinery manufacturer CLAAS GmbH & Co. KGaA mbH.

Brand structure following the merger

Wacker Neuson produces light and compact equipment to support all customer processes in the construction industry, as well as wheel loaders and telescopic handlers for the agricultural industry. The sectors and end customers of both partners are almost identical – a major benefit of this merger.



Light and compact equipment for the construction industry will be marketed under the Wacker Neuson brand. Wheel loaders and telescopic machinery from Kramer is the only exception. Due to Kramer Allrad's leading position on the German market, these products will continue to be distributed under that brand. Agricultural machinery will be distributed under the Weidemann brand.

The previous **Wacker** and **Neuson** brands are now being combined to form the new **Wacker Neuson** brand. The **Kramer Allrad** brand will be retained in Europe, while the **Weidemann** brand remains unchanged.

Services business segment

We maintain a dense network of sales and service stations to ensure we are always close to our customers. We make it a priority to align our sales activities with local market conditions so we can respond to specific customer requirements with tailored offerings. Depending on local market structures, we distribute our products to specialized dealers and rental companies as well as catering directly to end-customers.

Two strategic business fields: after-market (repair and maintenance) and rental

After-market (repair and maintenance)

■ The after-market business field primarily covers spare parts sales, repair and maintenance. We sell spare and replacement parts and repair packages directly to customers via our local sales offices. In Central Europe, Wacker Neuson supplies customers directly from its logistics center. We also maintain our own service stations here, which carry out maintenance and repair work and hold customer training courses. In the USA, we are currently establishing the EQUIPRO Inc. franchise system. This involves partners performing service work on equipment from Wacker Neuson and other manufacturers.

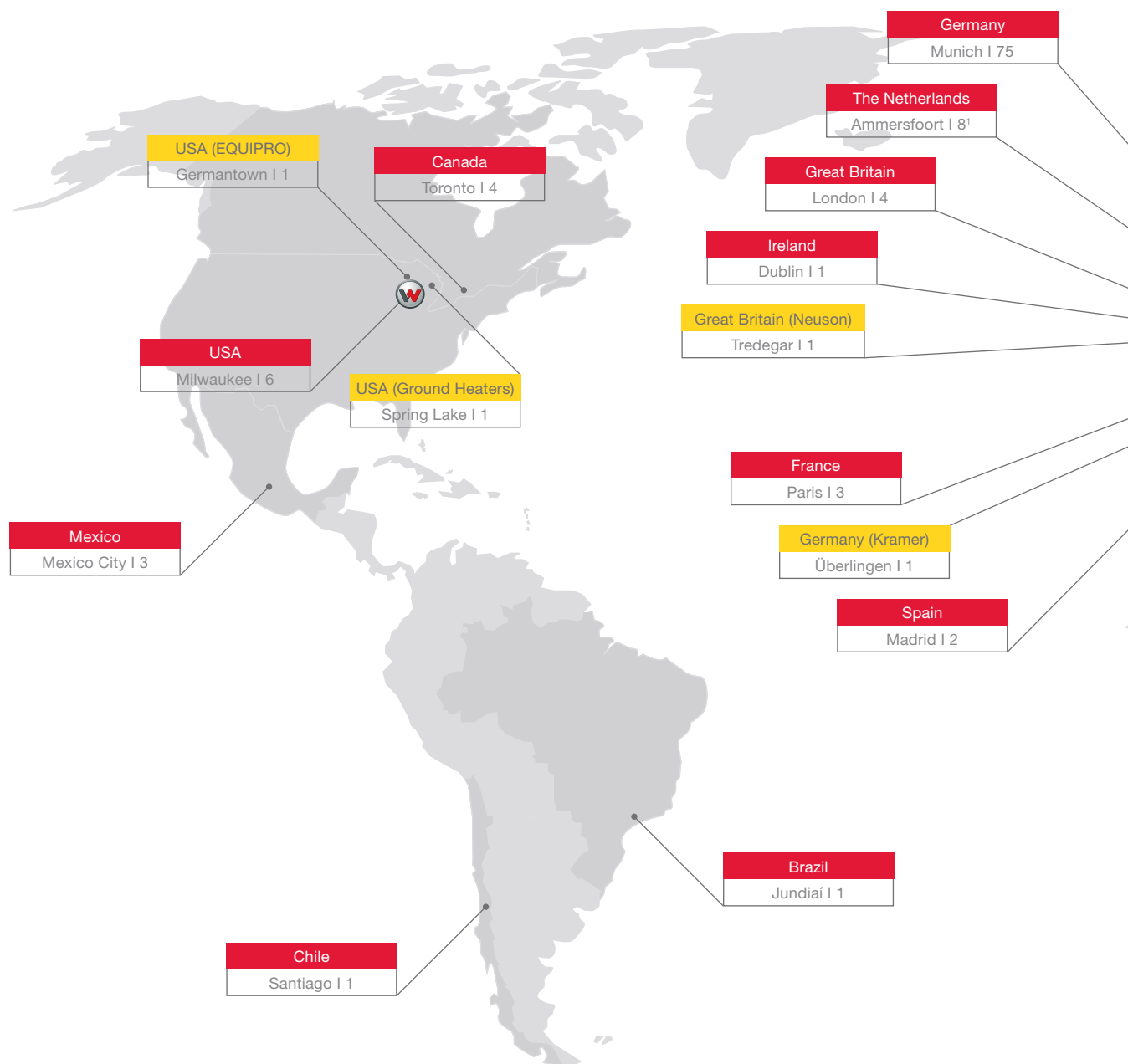
Rental

■ We have identified strong growth potential for the rental business in Central and Eastern Europe. Experience shows that many construction companies in Germany, Austria, Switzerland and the Netherlands view equipment and machinery rentals as an effective and cost-efficient complement to purchasing. We plan to expand this concept in various countries including Poland and the Czech Republic, where Wacker Neuson would not be operating in competition with its customers.

The rental business is a profitable one for Wacker Neuson. It requires high up-front investment, and the manufacturing costs of our own equipment and machinery are recognized as assets under property, plant and equipment on the balance sheet, depreciated over a period between four and six years. During this period, we already receive rental income, but subsequent business is also a key consideration. The high quality of Wacker Neuson products ensures they retain a high resale value. High rental pool investments with machines from our own manufacturing facilities initially have a negative effect on our balance sheet, as margins from company-internal transactions are deconsolidated. However, income accrues on these machines over a four to six-year rental period as do proceeds on the sale of the used machines at the end of this period.

Wacker Neuson – across the globe

More than 30 subsidiaries and over 5,200 distributors at more than 12,400 stations





Regional lead companies

Munich (Germany), corporate headquarters

Milwaukee (USA)

Hong Kong (China)

- Subsidiaries

Regional production facilities

Reichertshofen, Korbach, Gotha, Überlingen, Pfullendorf² (Germany),
Linz-Leonding (Austria), Tredegar (Great Britain), Milwaukee, Spring Lake,
Norton Shores² (USA), Manila (Philippines), Melbourne (Australia)

Subsidiary
City station ¹

Subsidiary
City station ¹

¹ Inland or neighboring country

² under construction



Markets and opportunities

At Wacker Neuson, our strategy and targets are clearly mapped out. We aim to grow profitably and become technology leader in the light and compact equipment markets. Our name is the hallmark of quality, performance, service and innovation. We see it as our duty to meet our partners' and customers' high expectations. Our exceptional product diversity makes us highly attractive to customers across the globe. We continue to expand our production capacity and are tapping new markets such as Russia and India.

The various pillars of our strategic umbrella dovetail to promise stable and sustained growth in revenue and earnings over the coming years. Our confidence is founded on exciting opportunities in the agricultural and construction industries and – even more to the point – the close alignment between our business model and our customers' needs and processes. This is backed up by a strong distribution and service network.

Strategy on course

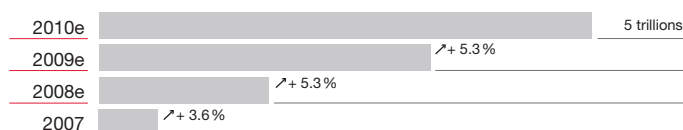
In the short and medium-term through

In the long-term through

- Increased global market share
- Revenue target moving beyond the 2 billion euro mark

-
- Global launch of compact equipment
 - Widening of product portfolio
 - Expansion of rental business in Central and Eastern Europe
 - Further expansion into countries such as Russia, India and China, plus various Eastern European countries
 - Capitalization on attractive dynamics of agricultural market
 - Acquisitions to round off our product portfolio
-

Growth of the global construction industry¹
in trillions of US dollars



Worldwide growth in agricultural and construction equipment sales²
in billions of US dollars



Source: ¹ Global Insight, ² Datamonitor

Market dynamics and our action plan

Construction industry worldwide on growth path

Looking beyond the uncertainty created by the current property crisis, the general economic climate promises interesting medium and long-term growth possibilities for Wacker Neuson. According to the experts, the global construction industry is set to maintain a steady growth rate over the coming years. This will be largely fuelled by government investments in infrastructure projects such as road and rail networks, plus transport and telecommunications systems. These projects will be taking place all over the world, but will be concentrated in China, India, Russia and countries in Eastern Europe, South America and the Middle East.

According to Datamonitor, the construction, machine and agricultural industries were jointly worth USD 112.8 billion in 2006. Europe accounted for 27.8 percent, America for 38.4 percent and the Asia-Pacific region for 30.3 percent of this revenue. Experts predict that the market for these types of machines will grow 21.9 percent to a total of USD 137.4 billion by 2011.

Urbanization

The global urbanization trend is another growth driver. In 2007, city dwellers outnumbered people living in the country for the first time ever and this trend is set to gather pace. In Asia and South America in particular, urbanization will fuel wide-scale construction projects in the fast-growing cities with over a million inhabitants.

Climate change

Global climate change is also opening up new windows of opportunity in the construction industry. Redesigning buildings for greater energy efficiency offers massive growth potential. And preventing and cleaning up after natural catastrophes can also fuel significant revenue streams.

Europe

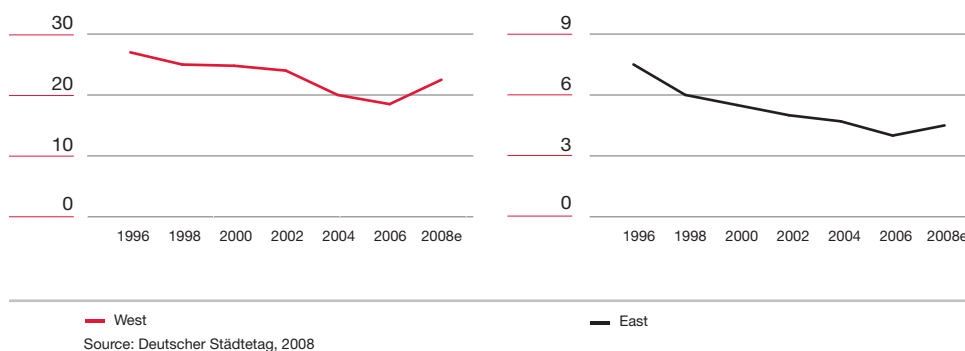
The European construction market overall is set to grow over the coming three years. This applies to the non-residential sector in particular. Although growth rates may vary significantly from one country to another, the overall trend is clear. Experts predict, for example, that the European underground construction segment will develop dynamically every year between now and 2010, especially in the five big construction markets (Spain, Great Britain, France, Italy and Germany) and in Eastern Europe. Renovation, maintenance and modernization projects are also set to offer promising opportunities over the coming three years.

Market trends in Europe

Non-residential sector 2008	+ 3.1%
2009 and 2010	each with + 2.2%
Underground engineering by 2010	ø p.a. + 3.5%

Source: Euroconstruct

Turnaround for investment spending by municipal bodies (expressed separately for former West and East German bodies)
in € billion



Acknowledging the diversity of the European market, our strategy in that region is based on a highly varied and individualized product and service portfolio. In addition, we are expanding into promising rental markets, particularly in Central and Eastern Europe. Here we are careful only to expand in countries where our rental offering does not compete with rental companies that are our customers.

Market trends in Eastern European construction industry

Construction industry 2010	6.9%
Construction industry 2009	8.8%
Construction industry 2008	9.2%

Source: Euroconstruct

German municipal bodies investing once again

Once again, the German market offers good prospects on both the construction and agricultural fronts. Construction growth here will be driven by non-residential projects and an increase in spending on the part of municipal bodies. City renovation and modernization initiatives are also set to gain in importance. Many buildings constructed between the sixties and eighties fall short of modern expectations in terms of energy efficiency and usability. Experts and trade associations therefore predict that demand for construction equipment will remain high in this area. The Federation of the German Construction Industry projects a three percent increase in construction investment levels in 2008.

The German market has been a dynamic source of business for our company for many years now. Our customer base here already includes the vast majority of the 70,000 or so small construction companies (with up to 20 employees) based in Germany. We are now able to offer these customers a wide selection of compact equipment. During the current fiscal year, we are banking on wide-ranging infrastructure investments and a come-back on the residential market towards the close of the year.

Asia

Asia is generally viewed as the most dynamic economic region in the world and will remain so over the coming years. Local governments are investing heavily in subsidies to promote local infrastructure projects, concentrated particularly on the expansion of the road and rail networks.

Market trends in Asia

Construction volume 2008	+ 7.7%
Construction industry by 2010	ø p.a. + 4.6%

Source: Global Insight

Wacker Neuson in Asia and Eastern Europe

In our less-established markets in Asia and Eastern Europe, we are in the process of building visibility as a competent, professional and reliable partner for construction companies. The idea is to have established a strong foothold in these regions when their construction industries really take off, especially in China, Russia and CIS states. And we are certainly making headway, albeit on a smaller scale for our standards. This is to be expected, however, as the large-scale infrastructure projects currently underway in these countries initially require heavy equipment.

Experience has shown that our equipment generally comes into play after a time lag of five to ten years, particularly when smaller construction, repair or maintenance jobs are required. Typical projects that would fuel demand for our products would be road or underground construction work or expansion of water or telecommunications services. We plan to open an affiliate in India during the course of fiscal 2008 in order to strengthen our presence in this region. This will enable us to respond with speed and flexibility to the steadily rising – albeit still low – demand for our equipment.

Americas

In action

The Hoover Dam Bypass Bridge



Engineering masterpiece in the US

Wacker is playing a key role in helping to build the concrete bridge arches that will sit in the 300 m or so deep canyon of the Colorado River to support this bridge. Over 40 external vibrators, internal vibrators and specially designed frequency converters are being deployed to ensure perfect compaction results.

Market trends in Americas

US-residential sector by 2011	+ 0.4%
US-non-residential sector by 2011	+ 7.1%
South America – Construction volume 2008	+ 7.6%

Source: Global Insight

Moving ahead with strong products

Our new compact equipment range opens up a whole new realm of possibilities in the US. In fiscal 2008, we plan to launch a total of 14 compact models from our vast range spanning over 40 product categories. We have been preparing for these US launches since fall 2007 and have already presented these products to our customers at numerous exhibitions and product shows. Interest in these new compact models has been extremely lively. This move should offset any loss of light equipment market share caused by the property crisis – if not in 2008, by 2009 at the latest.

We also see new business opportunities in other areas. In the past, we have distributed our products in the US to large rental chains and numerous dealers, who also stock construction equipment from other vendors. In recent times, many of these dealers have expressed serious interest in a sole distribution agreement for light and compact equipment from Wacker Neuson. This would be a very positive move for our company, made all the more attractive by the fact that few manufacturers (Caterpillar is one of them) have thus far managed to establish an exclusive dealership network.

Of course we are fully aware of the effort required to ensure the success of such a sole distribution model. We would have to invest heavily in a suitable organization structure, spanning everything from equipping sales and showrooms with our products through logistics to training for sales staff.

We are, however, fully prepared to make these investments and will tackle this strategic project in our usual calm and pragmatic way. We are currently seriously contemplating a US production location for compact equipment. This would greatly expedite the success of the new distribution model, further strengthen our presence and also protect us to a certain degree against currency fluctuations. We are also working hard in the US to rapidly expand our EQUIPRO, Inc. franchise service chain.

Q&A with Mr. Schwind



Werner Schwind
Member of the Executive Board
Responsible for sales, rental,
logistics, service and marketing

■ **Worldwide sale of compact equipment calls for new organizational structures. Do you see significant changes around the corner?**

We have built a worldwide sales and service network for light equipment, powered mainly by our own sales offices. We will use this network to drive compact sales, focusing initially on the US and European countries such as France, Switzerland, Austria and Spain. To maximize local contact with our retail partners and customers in the compact business, our sales offices will be responsible for gradually rolling out and marketing our compact offering. We will maintain and expand the retail network established by our merger partner. Sales staff from that organization will be assigned to our local offices.

■ **Wacker has set its sights on Asia and Eastern Europe as emerging growth markets. Where do you anticipate the fastest rise in demand for your products?**

At present, that has to be Eastern Europe. We have already established a firmer footing in that region and demand for light and compact equipment in construction is stronger there – as is demand for compact equipment on the agricultural side. In Asia, the current large-scale infrastructure trend is pushing demand for heavy equipment in particular. After the typical time gap following infrastructure investments, demand for our products is now starting to ramp up in that region.

■ **Wacker is investing heavily in the rental business in Central and Eastern Europe. What is the strategic reasoning behind this?**

First let me just say that we only engage in the rental business in European countries where our rental service does not interfere with our customers' offering. So we offer rental only in Germany, Austria, Switzerland, the Netherlands, Poland and the Czech Republic. We have been mainly selling directly to end customers for decades in these countries. So now we are looking to leverage cost synergies across our existing service network. Rental generates additional margins and gives us a chance to offer our products to a wider customer base. Which is why we only stock our products in the rental pool.

High growth rates worldwide**Agricultural industry flourishing**

Prospects for the agricultural industry are positive worldwide. On the one hand, the human population continues to spiral. And, on the other, consumer expectations are changing as standards of living rise. In addition, the growing popularity of bioenergy is carving out new opportunities for agriculture.

The growing concentration and industrialization of agricultural holdings in Europe is fuelling rising demand for machinery. Rising income levels among agricultural developers is set to push investment levels upwards in 2008. Euroconstruct expects demand for agricultural machinery in Europe to rise by 2.7 percent per annum between now and 2010. The agricultural markets in Western and Southern Europe in particular are particularly robust. And Central and Eastern Europe are experiencing high growth rates. Developers in the Eastern European countries will thus generally be keen to modernize their machine pool. In Germany and Western Europe, by contrast, interest is rising in machines that increase efficiency and thus profitability.

Rounding off our portfolio through acquisitions

Of course our portfolio is not entirely complete. We even have some small gaps on the light equipment front. Despite the addition of Neuson Kramer products to our compact equipment, neither can we claim that we cover the entire spectrum here either. We also see interesting scope for expansion in the space between compact equipment and our traditional light segment. Here we refer in particular to attachments, which involve extending light functionality to the compact class.

Closing gaps

In order to close these gaps, we keep a close eye on construction processes to see how changes affect our customers' needs. We remain on the lookout for ways to round off our offering through acquisitions. This strategy has proved successful in past years and remains promising for our future path. We will continue to focus on our strategic lines of business – light and compact equipment. In other words, we will not be expanding into heavy equipment.

In a nutshell

Our sights remain firmly set on systematically expanding our regional footprint around the globe. We also see significant growth potential in expanding our current markets.

Moving forward together for successful integration

The act of merging two companies is no guarantee of success in its own right. The secret lies in unlocking the benefits or long-term synergized strengths of both organizations. At Wacker and Neuson Kramer, employees at all levels have risen to this challenge, showing an exceptional level of enthusiasm, vigor and initiative.



Austria's Leading Companies 2007

Shortly after we announced that we had signed the merger agreement, the Performaxx Investor News heralded this step as the “start of a new era for Wacker Construction”. The independent German research house regarded the merger as “a positive move that contrasts with the many seemingly pointless mergers we see today.” It went on to say that “the alliance promises real synergy effects”. The sales synergies alone were reason enough to merge – here we were looking at the possibilities of leveraging Wacker’s global footprint to market Neuson Kramer compact equipment worldwide.

Almost at the same time, Neuson Kramer was awarded first place in the “Big Player” category in Upper Austria and 3rd throughout Austria in the “Austria’s Leading Companies” competition. Organized by PricewaterhouseCoopers, KSV – Austria’s leading credit rating agency – and Austrian business newspaper WirtschaftsBlatt and “Kreditschutzverband” KSV 1870, the jury commended Neuson Kramer’s growth, earnings and liquidity in particular.

Every employee counts

“Integration” is one of our main short-term priorities. We have created a large number of teams with employees from both former companies. These groups are working hard to identify opportunities created by the merger and also areas that still present certain challenges, such as the consolidation of our dealer networks. In the long term, these teams will also be looking at new ways of distributing tasks and functions within the Group to maximize efficiency and productivity. Their job is not and cannot be to find redundant positions or production plants that need to be closed.

Complementary product ranges

Dovetailing two business models

Almost no overlap exists between the Wacker and Neuson Kramer product portfolios. In fact, the two business models complement each other perfectly in many ways. Wacker, for example, focuses on vertical integration while Neuson Kramer prefers to outsource and concentrate primarily on assembly. Furthermore, Wacker maintains its own sales and service network to power its global presence, whereas Neuson Kramer distributes its compact equipment primarily via dealers in Europe. And finally, only Wacker runs its own rental business in Central and Eastern Europe, now exclusively stocking compact products from Wacker Neuson.

Wacker and Neuson Kramer place great emphasis on quality, design and ergonomics. As a result, research and development play a key strategic role for both companies.

Integration hot on the heels of the merger

On October 19, 2007, shortly after the merger agreement was signed, managers and members of the Executive Boards from both companies got together in Bad Griesbach (Germany) for a three-day kick-off meeting. During this workshop, participants defined the main integration action items, and decided to create enterprise-wide teams bringing together representatives from the different departments. The Executive Board was particularly keen for each group to assume responsibility for defining appropriate integration measures. The mission of these task forces is to drive integration by regularly consulting one other, exchanging information and ensuring open, one-on-one dialog. The Executive Board receives regular progress updates.

Early cost savings were already realized only a few months after the merger, particularly in the areas of insurance and procurement thanks to supplier consolidation.

The right chemistry

Uniform corporate culture

All of the teams proved that this merger makes sense not only from a financial and business perspective. Despite the heavy workload over the previous months, they also showed massive common ground at an interpersonal level. To ensure that the employees of both former companies continue to see eye to eye in the future, the human resources departments are spearheading a project on “corporate culture”. Integrating two companies is a long-term process. It takes time, even in the case of two companies like Wacker and Neuson Kramer that complement each other so well.

We are confident that we will have identified and realized the potential benefits in the very near future. But we will, of course, be taking a more leisurely pace when it comes to putting the finishing touches to the new Wacker Neuson Group headquarters.

Responsibility for our employees, customers and the environment

Wacker is a family-run company with strong traditional roots. Members of the Wacker family were at the helm of the company since it was founded in 1848 right up until 2005. The character of the company has changed little since the merger – the majority of shares are still owned by the founder families. Neuson Kramer was also a family-run company until the merger. And family members – above all representatives in the Supervisory Board – continue to work together with management to help shape the new company's future success.

Success

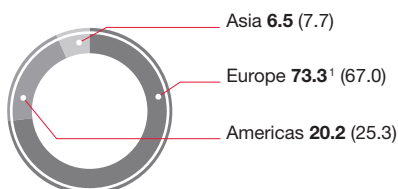
Employees at bauma
in April 2007



Employees – our greatest asset

Survival in the construction industry, like almost any other industry, is down to the caliber of a company's employees. Our long-term success in this market hinges on the expertise of our people and their ability to think, act and make decisions autonomously. We look for and promote a sense of personal responsibility in our staff, encourage active participation in company processes and provide support through a wide range of social activities – both within and far beyond company walls. We are committed to preventing discrimination and maintaining a prejudice-free working environment.

**Employee distribution
across the regions**
in % (previous year)



All employees of our merger partner Neuson Kramer are based in Europe

¹ Of which 27% are Neuson Kramer employees as of December 31, 2007

The Curt Wacker Foundation has been funding healthcare services for employees in difficult circumstances since 1953. Furthermore, our active healthcare management program benefits our employees by promoting good health. Our company doctors are devoted to both the medical and personal wellbeing of our staff. We also cover some of the kindergarten costs for pre-school children of employees. And to reward exceptional achievements, we have been awarding the Hermann Wacker Innovation Award every year since 1996 for creative, technical and process innovations.

Room for inspiration

Our success is built on independent, proactive employees who show initiative. This is why we have deliberately opted for a flat hierarchical structure. Freedom to make decisions is crucial to our decentralized, streamlined management style. And as long as employees embrace our basic corporate values, we do not see the need to dictate or monitor their maneuverability by prescribing sets of rules. This vests employees with a high degree of personal responsibility. In our Reichertshofen plant, for example, autonomous teams plan shifts and production schedules for themselves, depending on order volume. This approach can only work if each employee can be deployed at any workstation. The number of employees working at any time is therefore directly proportionate to factory output, which makes for highly efficient production processes.

Rewarding achievements

We are not just interested in pushing productivity. For us, maneuverability is also about inspiring our people to work in a more results-and quality-driven fashion. Wacker can boast high levels of employee satisfaction because our employees enjoy their work and are suitably rewarded.

Employee share scheme

To enable staff to participate directly in the company's success, we gave employees the option of purchasing shares at a special price as part of the IPO in 2007 – an offer that was very well received throughout the company. When we went public in May 2007, 612 German employees made use of the employee share option. This corresponds to 42 percent of our German workforce. We are both delighted and proud to see such a high rate of participation.

Training for the future

We have been actively supporting training for young people for many years now. Our company provides training opportunities for apprentices looking to enter a wide range of careers, including business administration, industrial mechanics, plus agricultural and construction equipment engineering. Through our Academy, we also provide training programs for business management, industrial engineering and mechanical engineering. In 2008, we aim to add electrical engineering and mechatronics to our course offering. In 2007, we were able to offer all apprentices who completed their training in that year a position with our company. This is a trend we aim to continue. In the USA, we cooperate with local schools to develop individual training

Payroll trends from 2003 to 2007

2007	2,934	+725	3,659 ¹
2006			2,837
2005			2,630
2004			2,224
2003			2,168

¹ After the merger with Neuson Kramer as at December 31, 2007

programs. In Manila, our training courses are held in collaboration with the Don-Bosco institute. Here we focus on training young people from low-income families along the same lines as the dual training system established in Germany.

Academy for employees and customers

Platform for continuous learning

Wacker held numerous courses and seminars in fiscal 2007. Across the Group, we provided financial support for employees who undertook studies or further training alongside their jobs to equip them for career advancement within the company. 2007 saw the establishment of the "Wacker Neuson Academy" and the restructuring of our further training program. Employees can now access transparent, bundled information via an online platform which builds on a dedicated training database. With its four fully equipped training rooms, large auditorium, modern repairs workshop and service hall as well as a demonstration and presentation hall that stretches over 1000 m², the new training center in Reichertshofen is an ideal location for courses, workshops and conferences for employees and customers alike.

Upsizing rather than downsizing

Every and every employee counts

Strengthening our sales team to meet new customer needs and market demands was one of the key tasks in 2007. The considerable expansion of our compact equipment product portfolio resulted in numerous new hires. The headcount for the Wacker subgroup alone was up 3.4 percent on the previous year. A further 725 employees joined the Group's Europe region in the wake of the merger with Neuson Kramer. One of our core messages is to emphasize that each and every one of these employees is needed. We have no intention of reducing the headcount.

Winning hearts and minds

Qualified employees are crucial in all areas of our business if we are to stay at the forefront of international competition. In 2007, our internal and external recruitment image campaign proved a great success. The new job advertisements showed Wacker as a modern company and a manufacturer of state-of-the-art products. The eye-catching visuals with smiling faces personified the company, conveying a warm and human touch.

Charm



Our appreciation

2007 was undoubtedly a year of new challenges for all employees. Many processes had to be restructured or further developed in order to manage the IPO and merger in such quick succession. Additionally, new products were introduced. The management would like to take this opportunity to thank all of our employees for making these impressive projects possible.

Caring for the environment and our surroundings

Going the extra mile

At all of our sites around the world, we do our utmost to protect the natural resources and advance the local communities that underpin our success. Across all product development and manufacturing stages, we always observe both national and international safety and environmental regulations. We also design all of our products to stand the test of time. The combined effect is a valuable contribution to the safety of our users and the protection of our environment. Sustainable business development is firmly entrenched in our corporate philosophy. As early as the design stage, for example, we minimize the drain on natural resources by factoring in subsequent dismantling and recycling.

Durability

BS 60, 1966 (left) and Kramer wheel loader, 1980 (right)



The BS 60 rammer is an excellent example of how our products are designed to stand the test of time. The first models were produced back in 1966 and many of those are still in use today. This model and numerous variants of the base model was still in production in the nineties. 28 years down the road, the Kramer wheel loader (model 312) is also still in use and demand. 10,000 vehicles were manufactured at the time. The very first production run was equipped with the all wheel steering that is still used in all Kramer wheel loaders today.

Construction on Pfullendorf production plant underway

The new Kramer plant in Pfullendorf, situated in southern Germany's Baden-Württemberg, will be a shining example of our commitment to responsible environmental care. A whole range of eco features are being designed into this facility. These include solar panels on the roof to heat water. Underfloor heating – still something of a novelty in industrial buildings – will further reduce the carbon footprint by saving energy. The heating system uses sophisticated measure-

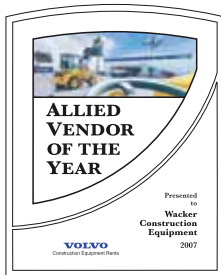
ment and control technology to intelligently monitor and regulate the temperature in different zones. Other highlights include a closed water loop to further cut water consumption and enhance the eco ratings of this new plant. Plus water-soluble paints to reduce solvent emissions. In addition, we will capture and reuse the heat generated by the coating stations. Cold water will be sourced from our own wells and fed back into the wells. This will be used for the ventilation systems, data centre and offices, which are conditioned through the cooling systems integrated into the ceilings, thus eliminating drafts. A smart light management system automatically adapts lighting in the halls to variations in natural lighting to maximize savings.

Safety – our number 1 priority

All of our products are designed to deliver the highest possible levels of user safety. Safety starts at the development stage, where we aim to eliminate every possible risk our products might pose to potential users. To do this, we follow a simple rule: we make our machines safe enough to put in our children's hands.

The test of time

Some of our equipment extends beyond the minimum statutory requirements to incorporate innovative safety features such as the Smart Control (SC) infrared system fitted with trench rollers and special vibratory plates. Line-of-sight control gives the operator added safety by switching the machine off if it is no longer in the operator's line of vision. It also reduces exposure to noise, emissions and vibrations. Both Wacker and Neuson Kramer have won numerous awards for safety over the past few years.



Wacker named Allied Vendor of the Year 2007

Our US affiliate won the 2007 Allied Vendor of the Year award presented by the rental company, Volvo Rents. This award clearly shows how our customers rate our high standards of quality on both the product and service front. Volvo Rents commended the high quality, reliability and availability of our products, along with their price/performance ratio and our rapid after-market (repair and maintenance) service. Awards from our customers such as this fill us with pride.

Social engagement

We also believe in making a contribution to society and the local communities in which we operate. We support various initiatives by donating money or lending our equipment free of charge. Concrete measures include food donations, sponsoring youth projects and support for an organization dedicated to the reintegration of the long-term unemployed. We are pleased to be able to make a difference through these projects.

Q&A with Mr. Binder


Mag. Günther C. Binder
Member of the Executive Board
Responsible for finance and IT

■ **You have experience of SAP. What benefits does this new software promise a company such as ours?**

Based on my experience of SAP over the past years, I think it is ideally equipped to integrate all Wacker Neuson companies on a uniform platform, standardize business processes across the company and increase transparency. I would point out, that full and Group-wide deployment of SAP will take at least three years.

■ **Wacker Neuson stands on boringly solid financial legs. Do you see any big challenges around the corner?**

Well, if you see a high equity ratio and a stable financial backbone as boring, I think I will have to take that as a compliment, especially given the current financial climate. We are now in the middle of a growth phase and plan to invest again heavily in 2008. Which we are in a position to do using our proceeds from the IPO. Looking forward, I plan to make sure that we maintain a healthy balance between equity ratio and debt when considering investments and acquisitions.

■ **The weak dollar increases the appeal of US-based activities. Is this reflected in your financial management policy?**

Our light equipment production facilities are based in Germany, the Philippines and the US. This geographic distribution has a natural hedging effect. As a result, when the dollar dropped so sharply in value last year, a euro/dollar exchange rate of 1:1.3790 – and we had envisaged 1.3600 – only reduced our profit before interest and taxes by 0.8 percent, against the background of a constant flow of goods. However, translation effects on the closing date, for example, are unavoidable. We plan to support our compact equipment launch in the US with compact product facilities in the North American region. Our goal is to maintain as good a balance as possible in the flow of goods between US and euro economic zones.

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The graphics and tables below are not part of the Consolidated Financial Statements. They are provided for information purposes only and do not always align with the audited Consolidated Financial Statements.

Group Management Report

I. About Wacker

- Light and compact equipment manufacturer
- International sales, consulting, and support network
- Stock promises strong performance thanks to new products and expansion of compact equipment business segment through merger with NEUSON KRAMER Baumaschinen AG

The Wacker Group develops, manufactures and distributes high-quality light and compact equipment to support and optimize customer construction processes around the globe. Wacker is the partner of choice among professional users in mainstream construction, gardening, landscaping and agriculture, as well as for municipal bodies and the industrial and recycling sectors. Following the merger with NEUSON KRAMER Baumaschinen AG in fiscal 2007, the Group now offers these customers around 300 product categories and extensive rental, spare parts and repair services.

This merger provides Wacker with a solid foundation for further growth. From the beginning of fiscal 2008, the Group will gradually start marketing its products and services under its new main brand, 'Wacker Neuson'. Alongside this, certain products in the compact equipment business segment will in future be distributed under the 'Weidemann' and 'Kramer Allrad' brands.

The Group has more than 180 sales and service stations in over 30 countries and currently around 5,200 dealerships in more than 12,400 locations, resulting in a dense consulting and support network. The Wacker Group's main aim is to complement our broad product offering with the best possible service.

The Wacker Group organizes its products and services into three business segments:

- Light equipment with the following business fields aligned with our customers' business processes:
 - Concrete technology
 - Soil and asphalt compaction
 - Demolition
 - Utility
- Compact equipment
- Services with the business fields:
 - After-market (repair and maintenance)
 - Rental

This Group Management Report reflects the results of the Wacker Group's global activity in fiscal 2007.

The Wacker financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as applicable in the European Union. The basis of consolidation covers 32 affiliates and 11 second-tier affiliates, and segment reporting is primarily by region, i.e. Europe, Americas and Asia. Following the merger, NEUSON KRAMER Baumaschinen AG was consolidated as of October 1, 2007.

To guarantee an effective internal controlling system, the Wacker Group controlling department manages and monitors deviations between 'to be' and 'as is' figures from affiliates as well as the development and tracking of suitable corrective measures, and prepares the consolidated monthly reports for the Executive Board. Development project decisions are taken by a committee composed of representatives from company management, research and development, product management, quality management, service, and strategic procurement.

EBITDA – a key benchmark of performance

Due to our high level of investment activity to secure our lasting growth, profit before interest, tax, depreciation and amortization (EBITDA) is an important indicator of company performance. Investments in expanding the rental pool in Central and Eastern Europe, in particular, initially result in high amortization. Alongside ongoing rental income, the sale of rental equipment also makes a – delayed – contribution to earnings here. Rented light equipment is usually amortized after an average of four years before being sold as used equipment; compact equipment after an average of six.

II. General conditions

Overall economic trends

- Global economy buoyant in 2007
- Economic upturn in Europe
- German economy experiences growth

The global economy continued its upswing in 2007. However, in the second half of the year, the global economic climate was increasingly affected by the uncertain US property market, the resulting turbulence on the financial markets, rising oil prices and the weakening of the US dollar against the euro. Nevertheless, experts rate 2007 as positive, with favorable economic development in Europe, Asia and Latin and Central America, in particular. According to a joint survey by leading economic research institutes in Germany, global GDP grew 3.2 percent in 2007, with a 5.3-percent increase in world trade volume.

GDP

Real change from previous year in %	2007	2006
Germany	2.6	2.9
Europe (Western and Central Europe)	2.8	3.1
USA	1.9	2.9
Latin America	5.0	5.2
China	11.0	11.1
Japan	2.0	2.2

Source: Joint report from leading research institutes

In the US, economic growth slowed again in 2007 in comparison with the previous year. Real GDP growth dropped to 1.9 percent, with private domestic demand sluggish and investments down 4.8 percent. In contrast to this, national economies in South America achieved a significant growth in real GDP of 5.0 percent, largely due to brisk domestic demand. Brazil and Mexico were the only countries to record a slight economic downturn over the course of the year here.

2007 was another year of growth for China. Real GDP rose substantially by 11.0 percent, due in no small part to increased investment and export activity. In Japan, the upturn was dampened slightly, with the increase in exports experiencing a significant loss of momentum. Real GDP rose 2.0 percent here. In India, on the other hand, the growth pace picked up sharply, with real GDP increasing by 9.0 percent. Economic performance also remained strong in East Asia, with real GDP up 5.5 percent.

The economic upswing in Europe continued unchecked in 2007, with real GDP growth of 2.9 percent. Increasing export activity made a significant contribution here. The strong economic performance also continued in Central and Eastern European countries thanks to healthy domestic demand and a surge in investments. Real GDP was up 6.0 percent. In Russia, brisk domestic demand also stimulated further growth, with a 7.5-percent increase in real GDP.

The German economy again experienced growth in 2007 due to the favorable global situation. According to information from the German Ministry of Economic Affairs and Technology (BMWi) and the German Federal Statistical Office (Destatis), real GDP rose 2.5 percent adjusted for inflation. Factors contributing to this economic upturn included high foreign demand despite strong appreciation of the euro against the US dollar, and an increase in gross plant investment.

Overview of construction and agricultural industries

- Healthy global construction activity with dynamic demand in Europe
- Strong construction activity in Germany
- Further increase in demand from the agricultural industry

The construction industry remained a key economic driver in many countries during 2007. Particularly in China, Russia, India and the Middle East, construction markets experienced strong growth, partly fuelled by infrastructure projects.

Development of the national construction market in the US was particularly marked by uncertainty on the property market, with mortgages rising after the central bank increased interest rates. As a consequence, the US Census Bureau reports a 17.5-percent downturn in residential construction investment over the course of the year. However, over the same period, investment in non-residential and industrial construction rose a substantial 18.1 percent, and some non-residential construction growth rates ran into double digits. As of November 2007, residential construction accounted for around 42 percent of total construction investment volume, and the non-residential and industrial segment for around 58 percent.

Changes Key currencies against Euro

1 euro equals	Dec. 31, 2007	Dec. 31, 2006	Change in %
US dollar (USD)	1.4716	1.3181	+ 11.64
British pound (GBF)	0.7346	0.6714	+ 9.41
Swiss franc (CHF)	1.6557	1.6080	+ 2.97
Japanese yen (JPY)	165.0000	156.6500	+ 5.33

Source: Notes to the Consolidated Financial Statements

In Europe, on the other hand, construction activity followed a far more dynamic path. According to the Euroconstruct network, the European construction industry experienced growth of 2.0 percent last fiscal year. The European Union provided subsidies for infrastructure projects in Central and Eastern European member states. At 7.6 percent, growth in Eastern Europe remained at the previous year's level, with non-residential and underground construction accounting for the lion's share here. The Euroconstruct figure for growth in non-residential construction in 2007 is 4.4 percent. However, in Western Europe, growth slowed significantly to 1.7 percent in the reporting period. After a boom between 2003 and 2006, residential construction lost momentum in the second half of 2007, particularly in Spain and Great Britain. Altogether, Euroconstruct reports a slight downturn in the European residential construction market in 2007 (- 0.1 percent). By contrast, European underground construction enjoyed its eleventh consecutive year of expansion, with a 3-percent growth rate.

In Germany, the construction climate was positive in 2007, although it was slightly dampened in the course of the second half-year. The mild winter meant construction companies were making rapid, positive investment decisions in the first half of 2007, but they faltered over machinery and equipment purchases in the second half-year, partly due to delays in follow-up projects. According to the Central Association of German Construction companies, the growth drivers in 2007 were public non-residential construction, with sales up 4.2 percent, and public construction, with 2.2-percent sales growth. Investment in residential construction fell sharply, leading to a 4.7-percent drop in revenue in this segment.

Continued growth of agricultural industry in 2007

Over the last few years, the agricultural industry has gained in importance worldwide. Global population growth means the role of this sector in supplying food continues to increase. It now also plays a key role in providing energy, with fuel such as biodiesel and bioethanol being made from renewable feedstock. According to the US Department of Agriculture, the cultivable land required for this purpose grew 15 percent in 2007, to 36.6 million hectares.

The structural shift in the agricultural industry continued in 2007, with agricultural operations constantly decreasing in number while simultaneously becoming larger and increasingly industrialized, particularly in Eastern Europe. Other growth markets included Great Britain, Ireland, Austria, Germany and France. The German agricultural machinery market has seen double-digit growth rates over the last years.

General legal conditions

- Protection for users and environment
- Compliance with applicable regulations
- Integration of new regulations in process flows

As a globally active manufacturer of construction equipment, Wacker is obliged to observe numerous national and international regulations governing environmental and user protection. These include provisions regulating exhaust gas emissions, ergonomics and noise and vibration-induced impact. All Wacker Group production locations are subject to the applicable local environmental legislation, in particular regarding emission control and water and soil protection.

At Wacker, we ensure we implement all new regulations and always aim to integrate these promptly in our process flows. In the year under review there were no changes to legal or regulatory conditions that had a major impact on business development. Regulations implemented in 2007 specifically include all requirements of the new EPA Tier 3 standards for exhaust gases (2004/26/EG), effective January 1, 2008.

Competitive position

- Focus on light and compact equipment
- Leading international market position
- Broad product portfolio and strong market presence

In our assessment, it is not possible to identify any kind of uniform competitive landscape across our target markets. Globally active companies offering a broad portfolio of compact and heavy equipment emerge as competitors in individual fields. In addition, we have several competitors with operations worldwide or in specific local markets whose product ranges focus exclusively on either light or compact equipment.

However, there are only a few companies that offer products in both categories. Against this background, we have strengthened our own competitive position significantly through our merger with NEUSON KRAMER Baumaschinen AG. In particular, this has enabled us to supplement our comprehensive portfolio in the light equipment segment with the high-quality compact machinery offered by our merger partner.

Over the past fiscal year, the Wacker Group maintained its strong position against both international competitors and local providers. We concentrate exclusively on light and compact equipment, differentiating ourselves clearly from DIY and heavy equipment suppliers. Our customers are predominantly active in non-residential construction. Around 70 percent of our products are used in new developments and infrastructure repairs, including underground and road work, non-residential and overground projects, and work on energy, water and telecommunications services.

Deployment scenarios

Conditions for our products	Non-residential construction/ Residential construction
North America	65/35
South America	70/30
Europe	70/30
Asia	90/10
Oceania	60/40

October 2007

As a mid-sized company, we back up our high product and service standards with state-of-the-art production facilities, in-depth development and manufacturing know-how and an efficient sales network. Certain products in various categories have achieved an excellent market position worldwide.

The acquisition of the Weidemann Group in fiscal 2005 expanded the Wacker Group's reach to certain segments within the agricultural machinery market. Weidemann GmbH is a leading provider of agricultural wheel loaders in Central Europe. Our Kramer plants also develop and manufacture telescopic handlers for the agricultural industry, distributed by CLAAS Global Sales GmbH, a German agricultural machinery supplier.

III. Business development in fiscal 2007

- Sales and earnings up in fiscal 2007
- Domestic business benefits from favorable construction climate in Germany
- Expansion of rental business in Central and Eastern Europe

In the reporting year, business developed according to plan at the Wacker Group and we were able to meet our targets. Demand for our products and services was high, and we benefited from the positive trend in the European construction industry here. In the US, developments in the property sector lead to uncertainty among certain construction companies in the second half of the year.

The Wacker Group continued to pursue its growth-oriented strategy in fiscal 2007. To finance this, we launched our IPO in May 2007. And to lay the foundations for future growth, in October 2007 we merged with NEUSON KRAMER Baumaschinen AG, headquartered in Linz (Austria).

Growth strategy continued

As part of our growth strategy, we have continued building up our sales and service network and the rental business in Central and Eastern Europe. As early as spring 2007, we supplemented our compact equipment portfolio by introducing our own wheel loaders for the construction industry. In the light equipment segment, we launched various new products and enhanced many existing ones to meet evolving customer needs. Wacker also made internal process improvements, for example in production and logistics, reducing sales, development and administration costs expressed as a percentage of revenue to around 28 percent.

Overall, we were able to optimize our market position in fiscal 2007, thanks to a business model that particularly emphasizes a strong innovative drive, high product, rental and service quality, a stable spare parts business, efficient

business processes, integrated customer care, brand awareness, and – last but not least – leadership in quality and technology.

Positive business development

The Wacker Group is satisfied with its business development in fiscal 2007. We exploited market potential as far as possible in line with prevailing economic and construction industry trends. We avoided price rises in our light equipment segment in 2007. In the compact equipment segment, we increased prices for Weidemann GmbH products by an average of 4.5 percent from February 1, 2007, due to higher materials and primary product prices.

On target¹

in € million	Target 2007	Actual 2007
Sales	720	742.1
EBITDA	120	119.6
Share of sales, development and administration costs as a percentage of revenue	below 30.0	28.2

¹ Based on Wacker including Q4 Neuson Kramer without purchase price allocation (PPA)

Wacker fulfilled its core aims for fiscal 2007 and improved all key financial figures. We significantly exceeded our sales forecast of over EUR 720 million and achieved our target for profit before interest, tax, depreciation and amortization (EBITDA) before purchase price allocation set at EUR 120 million. Taking numerous one-off items recognized on the balance sheet into account, we outperformed this too however. The Wacker Group significantly increased company value in comparison with the previous year.

In fiscal 2007, the Wacker Group recorded sales growth of 19.8 percent to EUR 742.1 million (previous year: EUR 619.3 million). Disregarding fourth-quarter figures from NEUSON KRAMER Baumaschinen AG, sales amounted to EUR 658.2 million, so the Wacker Group achieved organic growth of 6.3 percent.

In fiscal 2007, EBITDA following purchase price allocation rose 16.7 percent from EUR 100.2 million to EUR 117.0 million. This figure amounts to EUR 119.6 million if we discount purchase price allocation. Discounting the Q4 consolidated figures from NEUSON KRAMER Baumaschinen AG, EBITDA was up to EUR 106.1 million.

Significant sales growth at Weidemann GmbH and Ground Heaters, Inc.

At EUR 84.7 million (previous year: EUR 75.8 million), sales at Weidemann GmbH – acquired by Wacker in 2005 – played a significant role in driving Group revenue last fiscal year. This growth is attributable to increased demand for agricultural wheel loaders, with business also benefiting from the tendency towards larger holdings and associated rise in rationalization investments.

Ground Heaters, Inc., a start-up company acquired in 2006 and headquartered in Spring Lake, Michigan, USA, also reported a substantial increase in revenue. This company already occupies a leading position in the North American market for portable hydronic heating equipment for the construction industry. Ground Heaters, Inc. achieved revenue of EUR 14.0 million in fiscal 2007, up from EUR 12.1 million the previous year.

Successful IPO in May 2007

On May 15, 2007, trading in Wacker Construction Equipment AG shares commenced on the Prime Standard segment of the Frankfurt Stock Exchange. We intend to channel the IPO proceeds into financing strategic investments and projects to ensure profitable growth, strengthen our leading market position and power our international growth strategy.

A total of 18,398,985 shares were placed at EUR 22.00 per share. 7,500,000 of these shares were from a capital increase, 8,499,117 were from the holdings of selling shareholders, and 2,399,868 were from a greenshoe option held by Wacker Beteiligungs GmbH & Co. KG. The increase in capital resulted in net proceeds of EUR 153 million for the company.

On September 24, 2007, Wacker Construction Equipment AG shares were listed on the Deutsche Börse SDAX. Although there were no negative events since the IPO, our share price took a downward turn over the course of the year due to developments on the international financial markets. In the period from May 15, 2007 through December 31, 2007, our listed price dropped from EUR 22.00 to EUR 14.62.

Successful merger with NEUSON KRAMER Baumaschinen AG

In October 2007, Wacker Construction Equipment AG merged with NEUSON KRAMER Baumaschinen AG. In our assessment, this merger has brought together two profitable, family-run quality and technology leaders to create a major global player with an unparalleled portfolio of light and compact equipment. The product ranges offered by both companies complement each other ideally, while the users, target markets and sales channels are almost identical. NEUSON KRAMER Baumaschinen AG compact equipment is at an early stage of the lifecycle and was previously almost exclusively marketed in Europe. We now intend to harness our existing sales and service network to market these products worldwide, in particular capitalizing on growth opportunities in the mainstream construction, gardening and landscaping markets in Europe, the US and Asia. We will not be closing any production facilities as a result of the merger.

Following publication of the Memorandum Of Understanding (MOU) on March 30, 2007, the merger was approved by the German antitrust authorities (Bundeskartellamt) on May 4, 2007 and the Austrian antitrust authorities (österreichisches Kartellamt) on May 11, 2007. On September 23, 2007, Wacker Construction Equipment AG, NEUSON KRAMER Baumaschinen AG (Austria) and the main shareholders of NEUSON KRAMER Baumaschinen AG (accounting for a total holding of 89.6 percent), signed an agreement to merge both companies. The other shareholders of NEUSON KRAMER Baumaschinen AG, who held the remaining 10.4 percent stake, signed the agreement on October 18, 2007. With the closing of the merger agreements in October 2007, Wacker Construction Equipment AG acquired all shares in NEUSON KRAMER Baumaschinen AG, making the latter a wholly owned subsidiary. The merger involved increasing the Wacker Construction Equipment AG share capital to a total of EUR 70,140,000.

NEUSON KRAMER Baumaschinen AG key figures

in € K	2007 ¹	2006/2007
Sales ²	329,924	262,462
EBITDA	58,591	48,837
EBIT	54,511	45,292
Profit before discontinued operations and minority interests	35,617	36,702

¹ 11 months only (February 1–December 31)

² According to total expenditure format 2006/2007.

Information according to cost of sales format as on page 178.

NEUSON KRAMER Baumaschinen AG was consolidated with effect from October 1, 2007. At this point, the com-

pany brought its fiscal year, previously February 1 through January 31, in line with the calendar year. Thanks to high demand for its products, business at NEUSON KRAMER Baumaschinen AG was very brisk over the whole of last year. Sales (Expenditure Format) for the period from February 1 through December 31, 2007 were up 25.7 percent to EUR 329.9 million compared with EUR 262.5 million reported for the period from February 1, 2006 through January 31, 2007. Around 96 percent of sales was generated in Europe. Profit before interest, tax, depreciation and amortization (EBITDA) grew 19.8 percent to EUR 58.6 million (previous year: EUR 48.9 million). Profit before interest and tax (EBIT) was up 20.3 percent to EUR 54.5 million (previous year: EUR 45.3 million), and profit for the period accruing to the Neuson Kramer subgroup³ amounted to EUR 35.6 million (previous year: EUR 36.7 million).

Supervisory Board elections and Executive Board appointments

At its meeting on October 18, 2007, the Wacker Construction Equipment AG Supervisory Board elected Johann Neunteufel, founder and former Chairman of the Executive Board at NEUSON KRAMER Baumaschinen AG, as the new Chairman of the Supervisory Board. Dr. Ulrich Wacker was elected Deputy Chairman. The Supervisory Board also appointed Martin Lehner as Deputy CEO and Günther C. Binder as a member of the Executive Board of Wacker Construction Equipment AG (both former members of the NEUSON KRAMER Baumaschinen AG Executive Board).

Foundation of Indian subsidiary

At their meeting on November 13, 2007, the Executive and Supervisory Boards resolved to establish an affiliate in India.

³ Profit before discontinued operations and minority interests.

Construction work successfully completed

All Wacker Group construction work was completed as planned. Construction of our new European training center on the Reichertshofen production site was concluded at the start of 2008. This will be used to train Wacker employees and customer representatives on how to use our products.

Construction of our new manufacturing plant in Manila and relocation to that plant were completed at the start of 2008. This plant significantly expands our production capacity, allowing us to meet growing demand on the Asian market quickly and efficiently.

The new Weidemann GmbH plant in Korbach (Hessen, Germany) was finished ahead of schedule. Production of skid-steer loaders for the agricultural and construction industries was able to commence at the beginning of November 2007, instead of at the end of the year, as planned. The Diemelsee-Flehtdorf location remains the headquarters of Weidemann GmbH and houses administration, design, sales, and research and development activities.

On August 3, 2007, work began on a new production plant for Ground Heaters, Inc., the Wacker affiliate company acquired in 2006. Located in Norton Shores, Michigan (USA), the new plant will multiply production capacity for portable hydronic heating equipment. Portable light towers and gen-

erators for the utility business field will also be relocated to this facility, increasing the efficiency of production processes in these areas. The plant is due to be finished in the summer 2008. The investment volume will total up to USD 10.0 million. The design of this production plant means it can be progressively expanded to meet increases in demand. Here we are currently considering whether we could also use this site to produce compact equipment for the US market.

We also stepped up planning for the new research and development center in Munich, including office buildings for the company headquarters. Demolition of the previous facilities began towards the end of 2007, and the project will now proceed in several stages until 2010.

Dividend approved

On April 13, 2007, the Annual General Meeting of Wacker Construction Equipment AG in Munich approved the proposal by the Executive and Supervisory Boards to pay dividends of EUR 24,273,000. This corresponds to a dividend of EUR 0.62 (previous year: EUR 0.38) per eligible share.

Dividend

in €

2007	2006	2005	2004
0.50 ¹	0.62	0.38	0.27

¹ Dividend payment proposed at the AGM on June 3, 2008 (refer to page 88)

IV. Profit, finances and assets

The report on profit, finances and assets covers a total of 43 Wacker Group companies as well as the Group parent, Wacker Construction Equipment AG. NEUSON KRAMER Baumaschinen AG is included from October 1, 2007.

This explanation of profit, finances and assets presents the accumulated Wacker Group financial data for fiscal 2007, including fourth-quarter figures from the Neuson Kramer subgroup taking purchase price allocation into account, and contrasts them with Wacker Group financial data for fiscal 2006.

In the IFRS consolidated financial statements, the assets of the Neuson Kramer Group were realized at fair value as of October 1, 2007 as part of the initial consolidation. This results in higher cost of materials under inventories and

increased depreciation and amortization under order volume and technology, for instance. Related effects of this type are referred to as effects of purchase price allocation in the following.

Profit

- Key figures improved in fiscal 2007
- Clear sales and profit growth
- Proposed dividends at previous year's level

Wacker Group sales and earnings developed according to plan in fiscal 2007, with profit also reflecting the brisk pace of business. Sales increased 19.8 percent to EUR 742.1 million (previous year: EUR 619.3 million), corresponding to 23.3-percent growth discounting exchange rate fluctuations. Disregarding Q4 figures for NEUSON KRAMER Baumaschinen AG, Wacker Group sales amounted to EUR 658.2 million.

Additional information¹

in € million	2007	2007	2007	2006	2007	2007	2006
	Including Q4 Neuson Kramer without PPA ²	Including Q4 Neuson Kramer with PPA	Wacker ³	Wacker ³	Wacker Neuson ⁴ (pro forma) without PPA	Wacker Neuson ⁴ (pro forma) with PPA	Wacker Neuson (pro forma) without PPA
Sales	742.1	742.1	658.2	619.3	979.5	979.5	883.2
EBITDA	119.6	117.0	106.1	100.2	162.2	157.4	142.8
EBITDA margin as a %	16.1	15.8	16.1	16.2	16.6	16.1	16.2
EBIT	90.4	78.9	78.2	76.7	130.3	112.6	105.6
EBIT margin as a %	12.2	10.6	11.9	12.4	13.3	11.5	12.0
Profit for the period	62.0	54.1	54.3	48.5	87.3	75.0	72.8

¹ Further information on pages 178–179.

² PPA = Purchase price allocation. Purchase price allocation describes the process where purchase costs resulting from acquisitions are allocated to individually acquired assets, liabilities and contingent liabilities, which are measured at fair value.

³ Without Neuson Kramer subgroup

⁴ 11 months only for NEUSON Baumaschinen GmbH (February 1–December 31)

**Administrative
expenses**

2007		6.5
2006		7.3

as % of sales

**Sales, development and
administration costs**

2007		28.2
2006		29.9

as % of sales

The cost of sales rose to EUR 459.5 million (previous year: EUR 363.5 million). Reasons for this include additional expenditure on materials to meet greater production levels, higher production and freight costs, and expansion of the rental pool.

Gross profit on revenue totaled EUR 282.5 million in fiscal 2007 (previous year: EUR 255.7 million). The gross profit margin amounted to 38.1 percent (previous year: 41.3 percent). This reduction is attributable to the increased role played by the compact equipment business segment, as the margins here are lower than in the light equipment segment due to a multiple-stage sales system in the agricultural market.

Slight reduction in administrative costs as percentage of sales

The income statement shows an increase in expenditure across all cost units. Expressed as a percentage of sales, selling expenses and administrative costs were down to 28.2 percent (previous year: 29.9 percent).

In the period under review, selling expenses rose by 13.0 percent to EUR 140.1 million (previous year: EUR 123.9 million). This increase is attributable to new hires to support expanding sales activities and a rise in commissions in keeping with good business figures.

Research and development costs rose 29.3 percent to EUR 20.8 million (previous year: EUR 16.1 million) due to intensive development work on new and enhanced products in the light and compact equipment segments and the increased headcount associated with this.

General administrative costs increased by 6.5 percent to EUR 48.3 million (previous year: EUR 45.3 million) as a result of additional HR costs due to payroll expansion, increased profit shares and restructuring costs at Weidemann GmbH. However, expressed as percentage of sales, administrative costs decreased from 7.3 to 6.5 percent.

The 13.2-percent reduction in other operating income to EUR 8.4 million (previous year: EUR 9.7 million) is attributable to the sale during the previous year of a distribution center in California (EUR - 1.3 million) and lower exchange rate gains in fiscal 2006 (EUR - 1.9 million).

Other operating expenses amounted to EUR 2.9 million, down 16.7 percent (previous year: EUR 3.4 million) due to slight exchange rate losses (EUR - 0.3 million).

Profit affected by one-off expenses

Profit before interest, tax, depreciation and amortization (EBITDA) rose 16.7 percent from EUR 100.2 million to EUR 117.0 million, taking purchase price allocation into account. The EBITDA margin reached 15.8 percent (previous year: 16.2 percent). Discounting purchase price allocation, EBITDA increased to EUR 119.6 million, resulting in an EBITDA margin of 16.1 percent. Disregarding Q4 figures for NEUSON KRAMER Baumaschinen AG, EBITDA amounts to EUR 106.1 million, putting the EBITDA margin at 16.1 percent.

In fiscal 2007, EBITDA was affected by one-off expenses amounting to EUR 9.9 million, EUR 8.3 million of which accrued in the first nine months of the year. Without these one-off items, EBITDA rose 8.4 percent to EUR 126.9 million, corresponding to an EBITDA margin of 17.1 percent.

High investment in the Central and Eastern European rental business was one of the factors that caused depreciation and amortization to increase 61.4 percent to EUR 38.1 million (previous year 23.6 million).

Profit before interest and tax (EBIT) rose 2.9 percent to EUR 78.9 million (previous year: EUR 76.7 million), taking purchase price allocation into account. The EBIT margin dropped to 10.6 percent (previous year: 12.4 percent). Discounting purchase price allocation, EBIT increased 14.6 percent to EUR 90.4 million, corresponding to an EBIT margin of 12.2 percent. Disregarding Q4 figures for NEUSON KRAMER Baumaschinen AG, Wacker Group EBIT grew 2.0

percent to EUR 78.2 million, with an EBIT margin of 11.9 percent.

EBIT was affected by one-off expenses amounting to EUR 13.5 million in the reporting period, EUR 11.0 million of which accrued in the first nine months of the year. Without these one-off items, EBIT rose 17.9 percent to EUR 92.4 million, corresponding to an EBIT margin of 12.4 percent.

The one-off expenses included costs for the construction trade fair bauma, which takes place every three years, exchange rate fluctuations, and the effects of eliminating

interim profit. Other factors that affected one-off expenses were a shortage of industry materials due to increased production of wheel loaders at the Weidemann subsidiary, costs for the preferential allocation of shares to employees as part of the IPO, restructuring costs at Weidemann GmbH, and legal and consulting costs relating to the merger with NEUSON KRAMER Baumaschinen AG.

Earnings were also influenced by the euro's advance against the dollar with an average exchange rate of 1 euro to 1.3790 US dollars, compared with 1 euro to 1.2631 US dollars last year.

Overview of EBITDA/EBIT and special items of expenses

in € million	2007	2007	2007	2006	2007	2007	2006
	Including Q4 Neuson Kramer without PPA	Including Q4 Neuson Kramer with PPA	Wacker ¹	Wacker ¹	Wacker Neuson ² (pro forma) without PPA	Wacker Neuson ² (pro forma) with PPA	Wacker Neuson (pro forma) without PPA
EBITDA (adjusted)	129.4	126.9	114.9	–	179.0	174.2	–
EBITDA margin (adjusted) as a %	17.4	17.1	17.5	–	18.3	17.8	–
EBITDA	119.6	117.0	106.1	100.2	162.2	157.4	142.8
EBITDA margin as a %	16.1	15.8	16.1	16.2	16.6	16.1	16.2
EBIT (adjusted)	103.9	92.4	90.6	–	150.7	133.0	–
EBIT margin (adjusted) as a %	14.0	12.4	13.8	–	15.4	13.6	–
EBIT	90.4	78.9	78.2	76.7	130.3	112.6	105.6
EBIT margin as a %	12.2	10.6	11.9	12.4	13.3	11.5	12.0

¹ Without Neuson Kramer

² 11 months only for NEUSON Baumaschinen GmbH (February 1 – December 31)

Profit for the period up 4.4 percent

Profit before tax (EBT) increased 2.7 percent to EUR 78.2 million (previous year: EUR 76.2 million). Tax expenditure fell to EUR 24.1 million (previous year: EUR 27.6 million). Adjustment of deferred tax with regard to the German tax reform of January 1, 2008 meant the tax ratio decreased slightly to 30.9 percent, from 36.3 percent the previous year.

Profit for the period allowing for purchase price allocation climbed substantially to EUR 54.1 million, 11.5 percent above the previous year's result of EUR 48.5 million. Discounting purchase price allocation, profit for the period was up 28.1 percent to EUR 62.0 million. Disregarding Q4 figures for NEUSON KRAMER Baumaschinen AG, Wacker Group profit for the period rose to EUR 54.3 million – an increase of 12.0 percent. Based on a weighted average number of ordinary shares in circulation during the period of 49.2 million, earnings per share totaled EUR 1.10 (previous year: EUR 1.19 at 40.8 million shares).

In view of these positive results, the Executive and Supervisory Boards of Wacker Construction Equipment AG will propose a dividend of EUR 0.27 plus a bonus of EUR 0.23 per eligible share at the AGM on June 3, 2008. This brings the total to 0.50 euros per eligible share, of which there are 70.14 million. Last year the company paid out EUR 0.62 for each of its 39.15 million eligible shares. In total therefore, the company will be paying out EUR 35.07 million (compared with EUR 24.27 million last year). Excluding the bonus, the distribution ratio pans out at 35 percent based on the Group profit after purchase price allocation in the amount of EUR 54.1 million. Based on the pro-forma profit figures of the Wacker Neuson Group before purchase price allocation in the amount of EUR 87.3 million, the distribution ratio including the bonus – EUR 0.50 per share – corresponds to 40 percent.

Finances

- Solid financial policy throughout fiscal 2007
- High investment activity continued
- Positive free cash flow development

The Wacker Group views a solid financial policy as a key pillar of its profitable growth strategy. Thanks to the IPO, the company has access to ample liquid assets. We now intend to invest in advancing our company further and this will include selective acquisitions.

Principles of Wacker Group financial management

Wacker Group financial management is based on the principle of maintaining a steady balance between financial security, return on equity and earnings, despite high investment in increasing capacity and expanding our rental business in Central and Eastern Europe. As part of this, we draw on set balance sheet ratios and key indicators to manage our financing. We are looking at reducing our equity ratio to around 45 percent as a feasible goal for the medium term.

Our aim is to fund day-to-day operations with liquid assets as far as possible. We invest any financial surplus promptly and securely to capitalize on the prevailing interest rates and use such funds subsequently to finance further growth. For investments, depending on the type in question, we make targeted use of extended supplier payment terms and special financing options.

The Wacker Group maintains a cash pool, in which almost all its companies participate. The accumulated cash pool balance provides participants with necessary financial resources up to an individually fixed limit. Participants who make positive deposits receive interest equivalent to market conditions for the respective currency. Credit and debit interest are calculated on a daily basis.

The Wacker Group uses standard financial instruments such as foreign exchange forward contracts and options as well as interest rate swaps exclusively for hedging purposes and to minimize risks. As of December 31, 2007, we were hedging insurance risks. Financial instruments without a corresponding underlying transaction are not carried out.

Cash flow and liquidity

Cash flow from operating activities reached EUR 55.0 million at the end of fiscal 2007 (previous year: EUR 49.1 million).

Cash flow from investment activities came to EUR - 141.8 million in the reporting period (previous year: EUR - 41.6 million), reflecting the company's high levels of investment.

We invested EUR 81.6 million in property, plant and equipment in fiscal 2007 (previous year: EUR 31.4 million). Here it should be noted that only investments that have been settled are recognized in the cashflow from investment activities. The investments as reported per fixed asset schedule have been adjusted to discount items to be settled at a later date. Investments per fixed asset schedule, including the merger, amounted to EUR 108.1 in fiscal 2007 (previous year: EUR 42.3 million).

Investments during fiscal 2007 included expansion of the rental business in Central and Eastern Europe, construction work to enhance capacity at our production plants in Manila

and Korbach and the construction of a training center at the production site in Reichertshofen.

Investments (extract)

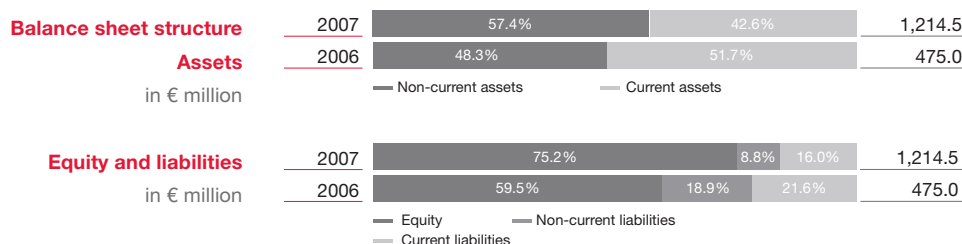
in € million	2007
Expansion of rental business in Central and Eastern Europe	24.6
Construction of new production plant in Manila	2.6
Construction of new production plant for Weidemann GmbH in Korbach	12.4
Construction of new training centre in Reichertshofen	3.0
Construction of new production plant for Ground Heaters, Inc in Norton Shores	4.8

At EUR 96.4 million (previous year: EUR - 23.0 million), cash flow from financing activities was clearly positive, due in particular to capital proceeds and share premiums from the IPO. The IPO generated EUR 165 million in total. Further drain was created by dividend payments of EUR 24.3 million and bank-loan repayments amounting EUR 50.6 million, accompanied by new loans to the value of EUR 12.2 million.

Free cash flow totaled EUR 62.1 million in the last fiscal year (previous year: EUR 22.6 million). Liquid assets increased from EUR 28.0 million to EUR 38.8 million due to the IPO proceeds.

Statement of free cash flow changes including Q4

in € K	2007	2006
Cash flow from operating activities	54,980	49,099
+ Cash flow from investment activities	- 141,754	- 41,639
- Change in consolidation structure	10,572	- 15,112
- Costs of procuring capital	5,582	0
+ Issue of new shares	165,000	0
Free cash flow	62,072	22,572



Working capital

At EUR 271.5 million, working capital was up 71.2 percent in comparison with December 31, 2006 (previous year: EUR 158.6 million) due to the merger. Inventory increased to EUR 175.1 million (previous year: EUR 100.2 million). Trade payables were up by EUR 23.0 million to EUR 63.1 million (previous year: EUR 40.1 million), stemming primarily from purchases for the rental park. Trade receivables grew EUR 61.0 million to EUR 159.5 million (previous year: EUR 98.5 million). The change in working capital in relation to sales reflects the company's expansion policy.

Assets

- Well-balanced assets
- Buoyant equity levels thanks to IPO
- Strong financial position

The Wacker Group's assets were well balanced at the end of fiscal 2007. The balance sheet total rose to EUR 1,214.5 million (previous year: EUR 475.0 million) thanks to capital increases and the increase in reserves from share premiums resulting from the IPO and merger with NEUSON KRAMER Baumaschinen AG during the last fiscal year.

Assets rose to EUR 651.5 million in 2007 (previous year: EUR 216.6 million). This is due in particular to an increase in property, plant and equipment to EUR 221.9 million (previous year: EUR 147.5 million) as a result of additional rental equipment inventory, higher expenditure on office and other equipment and various construction projects. The significant growth in Wacker Group goodwill to EUR 325.7 million (previous year: EUR 36.8 million) and the increase in intangible assets to EUR 100.2 million (previous year: EUR 32.1 million) stem from the merger with NEUSON KRAMER Baumaschinen AG.

Current assets grew significantly to EUR 517.5 million (previous year: EUR 245.8 million). This is due in particular to inventory build-up, increased trade receivables and IPO effects.

High equity ratio

As a result of capital increases and share premiums from the IPO, equity grew to EUR 912.7 million in fiscal 2007, up from EUR 282.4 million at December 31, 2006.

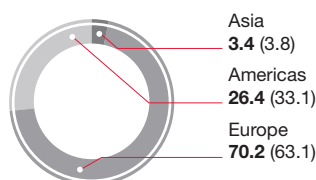
Wacker sold its treasury shares as part of the merger with NEUSON KRAMER Baumaschinen AG. Following capital increases, Wacker Construction Equipment AG share capital rose to EUR 70.1 million (previous year: EUR 43.5 million). The equity ratio was 75.2 percent, up from 59.5 percent at December 31, 2006, and our assessment is therefore that it remains high in comparison with our peers.

Total non-current liabilities rose 18.9 percent to EUR 107.1 million (previous year: EUR 90.1 million). While long-term borrowings dropped to EUR 44.2 million (previous year: EUR 60.8 million), primarily attributable to repayment of bank loans, long-term provisions climbed to EUR 29.2 million (previous year: EUR 12.8 million) and deferred tax posted as liabilities to EUR 33.7 million (previous year: EUR 16.5 million).

At EUR 194.6 million, total current liabilities are up 89.8 percent (previous year: EUR 102.5 million). This is mainly due to an increase in trade payables and to short-term borrowings from banks.

The net financial debt in 2006 amounted to EUR 45.1 million, in comparison with a EUR 43.1 million net financial surplus at December 31, 2007. This stemmed in particular from the proceeds of the IPO in May 2007.

Sales by region
in % (previous year)



Net financial debt

in € K	Dec. 31, 2007	Dec. 31, 2006
- Non-current liabilities	44,219	60,802
- Current borrowings from banks	72,103	13,342
- Current portion of non-current liabilities	6,073	7,566
+ Marketable securities	88,656	141
+ Cash and cash equivalents	76,816	36,441
Total	+ 43,077	- 45,128

Summary of profit, finances and assets

In summary, Wacker Group management welcomes the results for the last fiscal year as further strengthening the company's healthy financial position.

Increased expenditure as a result of our expansion policy was recouped and company profit improved again, continuing to build on the previous year's strong result. The balance sheet total reflects the Wacker Group's growth-driven policy. At 75.2 percent, the equity ratio remains at a high level for the industry thanks to our merger with NEUSON KRAMER Baumaschinen AG.

V. Segment reporting by region

- Outstanding business development in the Europe region
- Infrastructure measures have positive effect on unit sales
- Strong growth in Germany

With its broad product portfolio and high-quality services, the Wacker Group not only supplies construction companies as end customers, but also dealers, rental organizations and importers across the globe. Our segment reporting provides an overview of business development divided into primary reporting by region (Europe, Americas and Asia) and secondary reporting by business segment (light equipment, compact equipment and services). We are pleased to report that sales over the last fiscal year increased both in the Europe and Asia regions and within each of our business segments.

Europe

Europe was again the strongest sales driver in fiscal 2007. This lead was augmented by the merger with NEUSON KRAMER Baumaschinen AG, as that company generated around 96 percent of its sales in this region.

Thanks to strong business performance, revenue was up 33.1 percent to EUR 520.7 million (previous year: EUR 391.1 million), including purchase price allocation. Profit before interest and tax (EBIT) before consolidation grew from EUR 44.0 million to EUR 50.9 million – an increase of 15.8 percent.

High investment by European construction companies

The growth in sales was driven by strong demand for light and compact equipment and services throughout the region, despite US property market developments leading to uncertainty among certain European construction companies in the second half-year. 2007 saw increased

Sales Europe in € K	2007 ¹	520,658
	2006 ²	391,063
EBIT Europe in € K	2007 ¹	50,884
	2006 ²	43,995

¹ Including Q4 Neuson Kramer (with PPA) ² Wacker without Neuson Kramer 2006

market concentration in Great Britain, with the acquisition of Hewden Tools Division by Speedy Hire PLC and in Denmark with the merger between our customers JJ Maskinudlejning A/S and DNE Materieludlejning A/S.

Increased unit sales for new equipment in Europe

Sales were up in almost all affiliates in this region thanks to positive construction trends over the past fiscal year. Our strong performance in Europe was supported by the Wacker Group's strong market presence, comprehensive product portfolio and superior rental, spare parts and repair services, as well as positive results from Weidemann GmbH. Stepping up sales activities and expanding our rental business in Central and Eastern Europe also played a role.

In France, reorganization of sales activities in 2006 paid off with healthy results, while Great Britain and the Benelux countries recorded lively demand for products in all business fields. Demand for products and services in Switzerland was also healthy, and we rolled out our joint Wacker and Neuson Kramer compact equipment offering here in the fourth quarter of 2007.

Sales growth in Germany

Germany achieved the strongest sales in the Europe region last fiscal year. Despite construction investments only increasing 2 percent, we achieved significant revenue growth both in new equipment sales and in our rental, spare parts and repairs business. Here we benefited both from the favorable construction climate and, especially, our strong market presence, with over 70 branches in Germany. In our assessment, this is the reason for our favorable increase in market share here. We also expanded our rental business in Germany and strengthened our market position by intensifying sales and service activities here too.

Positive results in Eastern Europe

In Eastern Europe, our affiliates benefited increasingly from high levels of construction activity, particularly infrastructure, modernization and residential construction projects. Our Russian affiliate saw a leap in sales of over 110 percent. To exploit further market potential, we opened a service station in Jekaterinenburg last fiscal year. In Austria, Poland, the Czech Republic and Slovakia, demand increased both for new and used equipment and for rental offerings. In Ostrau und Liberec (Czech Republic), measures are underway to open new service stations in the course of 2008.

Market development in Southern Europe was sluggish. In Spain, the drop in residential construction investment anticipated for years finally hit in the second half of 2007. Local elections in Italy and Spain caused delays to infrastructure projects over the course of the year. Our affiliates in Turkey and South Africa, on the other hand, benefited from renewed growth in their respective construction industries. And thanks to a strong surge in construction activity there, exports to the Middle East also performed well.

The construction climate in Scandinavia was favorable in fiscal 2007, although it dampened somewhat in Denmark during the fourth quarter. Finland, Norway, Sweden and Denmark experienced positive overall demand in the individual business fields. The utility business field was a particularly strong contributor, as we expanded our portfolio in the fourth quarter with portable hydronic heating equipment from Ground Heaters, Inc.

Americas

Development in the Americas region was influenced more and more by the increased euro / US dollar parity and uncertainties on the US property and mortgage market as

Sales Americas in € K	2007 ¹		196,055
	2006 ²		204,967
EBIT Americas in € K	2007 ¹		25,761
	2006 ²		31,731

¹ Including Q4 Neuson Kramer (with PPA) ² Wacker without Neuson Kramer 2006

the year wore on. Despite positive unit sales trends in individual business fields and increased sales activity, overall sales in this region allowing for purchase price allocation fell 4.4 percent in fiscal 2007, to EUR 196.1 million (previous year: EUR 205.0 million). Profit before interest and tax (EBIT) prior to consolidation totaled EUR 25.8 million (previous year: EUR 31.7 million). However, adjusted to reflect exchange rate fluctuations, sales in the Americas actually rose 3.5 percent.

As in previous years, our US affiliate yielded the lion's share of sales in the USA. We were virtually able to compensate for the drop in new residential construction here, since it was almost matched by the rise in investment in non-residential construction (highway, underground, commercial and industrial construction).

Alongside the harsh winter, the planned acquisition of United Rentals, Inc. – a leading US rental chain and major customer of our affiliate – by financial investor Cerberus Capital Management, L.P. made for unstable order patterns. Following announcement of the acquisition in July 2007, the financial investor again backed off in the fall.

However, we were able to broaden our customer base and gain new rental customers through a push in sales activities. We sold our first products in the compact category here in the fourth quarter of 2007.

US affiliate named Allied Vendor of the Year

The rental company Volvo Rents awarded our US affiliate its Allied Vendor of the Year title for fiscal 2007. Our customer chose us in recognition of the high quality, reliability and availability of our products, superior price/performance and rapid service.

Results at Ground Heaters, Inc. contributed positively to our performance here. Specializing in the manufacture of portable hydronic heating equipment, this company enjoyed increased demand in the reporting period, with sales up 15.7 percent to EUR 14.0 million (previous year: EUR 12.1 million). Here it should be noted that Ground Heaters, Inc. was initially consolidated on March 24, 2006.

Wacker's service-based franchise concept, EQUIPRO, Inc., also continued to develop according to plan. Here we are gradually establishing a service station network on a franchise basis to meet the expected increase in service and repair requirements on the North American market. This will cater for new and used equipment and extend to third-party products as well as our own. Sales at EQUIPRO, Inc. amounted to EUR 0.7 million in fiscal 2007.

Positive trend in Canada and South America

All our affiliates recorded healthy demand, particularly in the concrete technology and utility business fields. Canada and South America experienced particularly strong growth in the period under review. State-subsidized infrastructure projects had a positive impact in South America, while Canada benefited from a positive trend in the oil and minerals industry. In Mexico, development was positive overall, although dampened by the US market and cancellation of construction work due to weather conditions.

Asia

Asia remains a growth market for Wacker, although serious demand for light and compact equipment is not expected to kick in until the usual five to ten years have lapsed since initial infrastructure projects. The company is systematically preparing for rising demand and has decided to establish an affiliate in India in fiscal 2008.

Sales Asia	2007 ¹	25,349
in € K	2006 ²	23,247
EBIT Asia	2007 ¹	3,105
in € K	2006 ²	1,669

¹ Including Q4 Neuson Kramer (with PPA) ² Wacker without Neuson Kramer 2006

Sales growth in Asia

In the Asia region, sales allowing for purchase price allocation were up 9.0 percent, from EUR 23.2 million the previous year to EUR 25.3 million in fiscal 2007. Profit before interest and tax (EBIT) prior to consolidation shot up 86.0 percent to EUR 3.1 million (previous year: EUR 1.6 million).

Thanks to national infrastructure projects, we enjoyed an increasingly positive trend over the course of the year, although exchange rate fluctuations had an impact on sales. We also experienced market concentration in Australia, with the acquisition of Coates Hire Limited by the financial investor Carlyle Group and the competitor company National Hire Group Limited.

Upwards trend in China

Our affiliate in China reported a good year in 2007, with intensified sales activities paying off, particularly in urban areas. This meant we were able to compensate for the lack of major orders in comparison with 2006 thanks to higher overall demand for products and services. Sales were up 6.4 percent, corresponding to 94.1 percent growth discounting the major orders from the previous year.

Performance in Australia and New Zealand remained very strong thanks to healthy overall construction activity. Demand for products and services was high across all business fields. However, stagnation in the construction industry meant results from our affiliates in Japan and Thailand were below those of the previous year.

VI. Segment reporting by business segment

- Growth across all business segments
- High demand for products and services
- Numerous products and product variants launched

In fiscal 2007, all three of our business segments – light equipment, compact equipment and services – succeeded in growing sales.

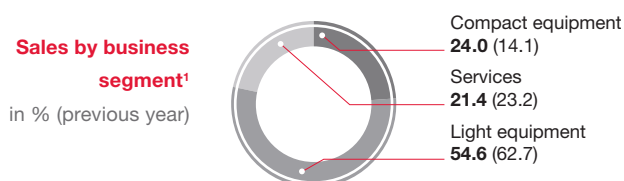
Sales by business segment

in € K	2007	2006
Light Equipment	408,170	391,417
Compact Equipment	179,480	88,220
Services	159,657	144,655
Minus cash discounts	5,245	5,015
= Total sales	742,062	619,277

Light Equipment

The light equipment business segment covers the Wacker Group's activities within the four strategic business fields of concrete technology, soil and asphalt compaction, demolition and utility. This is our core business, targeting professional light-equipment users in mainstream construction, gardening and landscaping worldwide. Our customers are predominantly active in non-residential construction and mainly use our products in new developments and infrastructure repairs, but also in structural and industrial projects.

In fiscal 2007, sales before discounts and including purchase price allocation increased 4.3 percent in this segment, from EUR 391.4 million to EUR 408.2 million. All business fields contributed to this sales growth, and we expanded our portfolio by 47 new products or product variants worldwide (previous year: 57).



¹ Consolidated sales before discounts

We presented many of these new additions to the wider industry at bauma – the world's largest construction trade fair – in April 2007, and they subsequently met with considerable interest among customers. We raised prices for our products in this business segment by 3 percent from January 1, 2008.

Since NEUSON KRAMER Baumaschinen AG does not produce light equipment, this reflects the situation both before and after the merger. This segment's share in total sales was 54.6 percent in fiscal 2007.

Lively demand for new products in all business fields

In the concrete technology business field there was renewed strong demand for internal and external vibrators. We supplemented our range of walk-behind trowels with a version featuring a zero-emission electric motor, while new hybrid heads in our internal vibrators for concrete compaction deliver better vibration performance to customers. Preparations for rolling out wire-tying equipment in 2008 based on the know-how acquired with Drillfix AG in 2006 are proceeding at full speed.

As a result of the healthy order situation in highway and underground construction, the soil and asphalt compaction business field again enjoyed strong demand in 2007, particularly for rammers and vibratory plates. Here we rolled out a low-vibration gasoline vibrator, a new 1.5-tonne roller and four attached compactors for excavators with a fully automated quick-changer.

Demand was also positive in the demolition business field, particularly for cut-off saws and petrol and electric hammers. We launched a new range of floor saws with improved cutting performance for the American market in the year under review. At bauma 2007, we also unveiled a newly developed generation of gasoline breakers with percussion systems specially designed for optimized performance and reduced vibrations.

Business was brisk in the utility business field in the year under review. The new range of heating equipment and air dehumidifiers for construction sites we rolled out in Q4 2006 generated high demand from European customers. In Scandinavia, we expanded this portfolio by introducing portable hydronic heating equipment from Ground Heaters, Inc. in the fourth quarter of 2007.

Compact Equipment

The compact equipment business segment covers the manufacture and sale of compact machinery weighing up to approximately 14 tons. Alongside wheel loaders, this covers excavators, skid-steer loaders, telescopic handlers and dumpers. Unit sales for attachments also took an upwards turn in the year under review.

Reporting for this segment up to September 30, 2007 deals primarily with Weidemann GmbH and the selling off remaining Bobcat stocks. From October 1, 2007, compact products from NEUSON KRAMER Baumaschinen AG are also included in operations here.

Substantial segment growth due to high demand and merger

This segment recorded 2007 sales of EUR 179.5 million before discounts and including results from NEUSON KRAMER Baumaschinen AG – up 103.4 percent from EUR 88.2 million the previous year. In line with this, the proportion of total sales contributed by the compact equipment segment rose from 14.1 percent in the previous year to 24.0 percent.

We unveiled a new range of Wacker-branded wheel loaders at bauma 2007, comprising six models. Here we were able to draw on the decades of experience gathered by our affiliate Weidemann GmbH in terms of technology and quality. The merger with Neuson Kramer ideally supplements our portfolio in this business segment with more products that lead the way in quality and design. The range contributed

by Neuson Kramer comprises around 40 models, including mini-excavators, wheel loaders, telescopic handlers, telehandlers, skid-steer loaders and dumpers. Compact products are at an early stage of their lifecycle.

US compact equipment launch in preparation

We experienced high customer interest in our compact products in the period under review, particularly in Germany, Austria, Switzerland and France. In the USA, we stepped up preparations for launching compact equipment in the first half of 2008. The feedback we received from dealers on presentation of compact products from Wacker and NEUSON KRAMER Baumaschinen AG in the second half-year leaves us feeling very optimistic.

Growing demand for agricultural wheel loaders

To expand capacity and meet future increases in demand, our affiliate Weidemann GmbH finished constructing a new plant for wheel loaders for the construction and agricultural industries in fall 2007. Production commenced at the beginning of November 2007, somewhat earlier than planned. Thanks to strong demand fueled by modernization and rationalization investments by the agricultural industry, sales grew 11.7 percent to EUR 84.7 million (previous year: EUR 75.8 million). Discounting Group-internal sales, consolidated external sales rose to EUR 69.1 million (previous year: EUR 68.8 million). In the first half of 2007, the Group posted increased internal sales resulting from the inclusion of wheel loaders in the company's rental park and the creation of a demo fleet for the market launch of construction-industry wheel loaders. Ramping down these activities in the third quarter substantially improved results, accompanied by increased external sales in response to growing demand from the agricultural industry. A shortage of industry materials in the first half due to delayed deliveries from our suppliers resolved itself over the course of the year.

Our cooperation agreement for the sale of Bobcat products phased out to our satisfaction in 2007. Having reached a mutual agreement with Bobcat to terminate our sales collaboration effective December 31, 2006, we then entered a transition phase in the German, Austrian and Swiss markets. Our collaboration ended completely on December 31, 2007.

Services

The services business segment encompasses the Wacker Group's after-market (repair and maintenance) and rental business fields, each covering both light and compact equipment.

Sales before discounts including the merger with NEUSON KRAMER Baumaschinen AG increased by a substantial 10.4 percent in the services segment, to EUR 159.7 million in fiscal 2007 (previous year: EUR 144.7 million). This segment's share in total sales was 21.4 percent.

Services resonate strongly among customers

Our activities in the after-market business field once again lead to success in 2007, with sales up 4.1 percent from EUR 99.9 million to EUR 104.0 million. We were able to hold our own here in competition with independent workshops and construction machinery dealers.

We renewed our focus on accelerated parts delivery in the repairs and spare parts business, and are working on reducing lead times for repairs and improving our equipment pick-up and delivery service from and to construction sites. Training for service staff remains a high priority at Wacker. We also continued expanding our service business over the reporting period, particularly in Scandinavia and Eastern Europe.

Research and development expenditure in € million	2007	20.8
	2006	16.1

Growing demand for rental equipment in Central and Eastern Europe

This year showed once again that in times of economic upturn and associated high demand for equipment, our customers increasingly turn to rentals as an efficient strategic supplement to purchasing. Companies are attracted by the flexibility and optimum calculation basis rental equipment provides. This had a pleasing impact on our rental business in Central and Eastern Europe, with sales up 26.2 percent from EUR 43.7 million to EUR 55.2 million in fiscal 2007. Our strategy of equipping existing branches with more rental equipment and setting up new rental stations, particularly in Eastern Europe, is paying off here. In terms of order structure, daily rentals outpaced monthly and long-term rentals in the year under review.

VII. Other factors that impacted on results

Research and development

- Innovations launched at bauma trade fair
- Increased product variety and model upgrades
- Alignment with user and environmental requirements

The Wacker Group's research and development efforts center on the development of new products and ongoing upgrades. The development departments for products in the light equipment segment are located in Munich (Germany), Milwaukee (USA) and Manila (Philippines). Weidemann GmbH develops its products at its headquarters in Diemelsee-Flechtdorf (Germany). Compact equipment development at NEUSON KRAMER Baumaschinen AG takes place at the relevant production facilities in Linz (Austria), Überlingen (Germany) and Tredegar (Wales).

The Wacker Group designs basic versions for the global market and adapts them to meet country-specific requirements. This produces a large number of product variants, tailored to the needs of our users. In the last fiscal year, we launched 47 new developments and product variants worldwide (previous year: 53).

Within our development work, we continued to pursue our aim of reducing manufacturing costs in fiscal 2007. The innovations and product enhancements we released also guarantee high quality and safe and cost-effective usage. Wacker not only factors statutory and regulatory requirements governing user and environmental protection into its development activities, but also takes the initiative in these area in certain cases. Last fiscal year, requirements affecting us included observing stricter noise emission limits and the ongoing tightening of exhaust gas regulations for combustion engines worldwide.

Numerous new patent applications

To execute our projects efficiently and further accelerate our development work, we made significant improvements to internal processes in 2007, without losing sight of quality. We also equipped our testing department with cutting-edge measurement and test stations. Over the last fiscal year, we filed a total of 69 new patents worldwide (previous year: 45 patents), of which 47 were awarded (previous year: 28 patents). The Wacker Group now holds around 420 intellectual property rights and applications across the globe, many in multiple countries.

At 188 employees, headcount in the research and development departments at Munich, Milwaukee, Manila and Diemelsee-Flehtdorf was slightly up on the previous year (178 employees). The Neuson Kramer locations in Überlingen and Linz employed a total of 82 people in product development in 2007.

Research and development expenditure for the reporting period rose 29.3 percent to EUR 20.8 million (previous year: EUR 16.1 million). This brought our research and development cost ratio up to 2.8 percent (previous year: 2.6 percent). Construction work started on our new research and development center at our Munich headquarters, and we continued to train employees through project management and design engineering seminars, external training courses and visits to trade fairs and conferences in 2007.

Production

- Production and workflow processes restructured
- Further productivity increases at Reichertshofen plant
- Inventory and lead times reduced

The strong demand for our products in fiscal 2007 resulted in high utilization of our manufacturing facilities. Our light equipment production takes place at the plants in Reichertshofen, Milwaukee, Manila and Spring Lake (Michigan, USA).

For compact equipment, Weidemann GmbH operates facilities in Korbach and Gotha, while our merger partner NEUSON KRAMER Baumaschinen AG manufactures its products at plants in Linz-Leonding (Austria), Überlingen (Kramer facility, Germany) and Tredegar (Wales). The Wacker Group also has a small production plant in Melbourne.

Process improvements implemented

To continue to meet growing demand for our products, we exchanged older machine tools for cutting-edge processing centers last fiscal year. We also implemented numerous suggestions to improve production processes at all our manufacturing locations. Technological advances, enhanced quality management and increased employee flexibility allowed us to reduce the number of production steps and decrease set-up and machining times. This enabled us to react quickly to growing order volumes as well as special orders due to customer or country-specific requirements.

We also optimized our workflows to further decrease machining and wait times. This has already paid off with a clear 5.1-percent increase output at our Reichertshofen plant, also enabled by our flexible work model with flexible working hours. And in our focus factories for concrete technology, soil and asphalt compaction and demolition, employee productivity increased to 336 units per head in fiscal 2007 (previous year: 320).

Despite high demand, we were able to keep inventory stock low and lead times short last fiscal year, and even managed to ensure cost-efficient one-piece flows. Each device that leaves one of our three production plants is tested and the results are documented for quality assurance purposes.

As of December 31, 2007, 734 people were employed by the production facilities in Manila, Milwaukee, Reichertshofen and Diemelsee-Flehtdorf (previous year: 758). The total headcount in production at NEUSON KRAMER Baumaschinen AG locations was 284.

Our focus factory for spare parts and accessories in the Reichertshofen plant manufactures spare parts for equipment no longer in series production. We were able to increase the number of production hours here by 5.2 percent on the previous year. As of December 31, 2007, a total of 45 trainees (previous year: 34) specializing in industrial mechanics, tool and die machinery and agricultural and construction equipment engineering were employed at the training facilities located here.

Ongoing capacity expansion

The Wacker Group continues to expand its production capacity. At the Muskegon (Michigan, USA) location, work began in 2007 on a manufacturing plant for Ground Heaters, Inc. products. Alongside portable hydronic heating equipment, portable light towers and generators will also be produced here from summer 2008. In Pfullendorf, construction is underway on a new production plant for wheel loaders and telescopic handlers from Kramer-Werke GmbH, which should be ready for commissioning by summer 2008. Plans are also in place to expand the production facilities in Linz-Leonding and Tredegar.

Quality and sustainability

- Increased awareness surrounding sustainability
- Systematic implementation of quality processes
- Certified quality management system

Over the past few years, the Wacker Group has been working to raise awareness surrounding the importance of sustainability in our business operations. In 2007, we continued our systematic implementation of national and local guidelines and regulations concerning user safety and environmental protection. We improved the ergonomics of our products and reduced their fuel consumption, vibration-induced impact and noise emissions. We also minimized the impact on the environment through eco-friendly recycling of materials and resources and separation of potential recyclables in production and administration.

We emphasize our commitment to quality and sustainability with an intelligent incentive system that motivates employees by involving them directly in ongoing quality improvements and waste avoidance. To maintain the high level of trust our company inspires in its customers and wider communities, we continued to observe our defined process and workflow guidelines in purchasing, research and development, testing, production and end control over the last fiscal year.

Quality management system confirmed by audit

We document our underlying processes and benchmarking systems in our quality management system, certified to DIN EN ISO 9001/2000. This covers the light and compact equipment business segments for the Group headquarters in Munich, production plant in Reichertshofen, logistics center in Karlsfeld and all sales regions in Germany. In the first half of fiscal 2007, an external audit reconfirmed that our quality management system is comprehensive and effective.

Purchasing

- Growing materials requirements due to rising production
- Reduction of materials costs through standard and umbrella agreements
- Savings through increased requests for tenders and closer collaboration with suppliers

In fiscal 2007, increased production fueled a greater need for materials. This posed a particular challenge, as procurement market overheating threatened supply bottlenecks in mid-2007, the effects of which included endangering the timely and cost-effective delivery of steel and motors.

To improve the situation rapidly and suppress additional costs, both Wacker and Weidemann GmbH conducted market analyses, intensified supplier monitoring and reviewed procurement, streamlining existing processes and establishing new ones where appropriate.

Karlsfeld			
logistics center	2007		238,847
Number of orders	2006		230,605
Milwaukee			
logistics center	2007		152,814
Number of orders	2006		152,477

However, price rises for supply parts and raw materials, particularly steel, plastics and cast iron, resulted in increased materials costs in the compact equipment segment. Long-term partnerships with our suppliers under the umbrella of strategic purchasing agreements helped us stay on top of price trends. Over the last few years, the situation has pushed purchasing on the Chinese market for compact equipment production. We also founded an affiliate in Serbia that focuses on manufacturing steel construction components for the compact equipment segment.

Logistics

- Productivity increased in fiscal 2007
- Rapid availability of products and spare parts
- Internal processes and supply structures improved

The Wacker Group logistics centers for new products, spare parts and accessories are located in Karlsfeld (Germany), Milwaukee (USA) and Hong Kong (China). Weidemann GmbH spare parts logistics is integrated in the Karlsfeld center. Our dispatch system in the compact equipment segment is decentralized, shipping directly from the plants.

Particularly in the first half-year, the number of orders placed rose significantly. Order intake at the European logistics center in Karlsfeld was high throughout the year and 3.6 percent above the previous year's level by the end of fiscal 2007. Altogether, we processed 238,847 orders here (previous year: 230,605) and 152,814 (previous year: 152,477) in our Germantown logistics center (near Milwaukee).

Renewed increase in delivery volumes

Delivery volumes were also up on the previous year, with shipments from our Karlsfeld logistics center rising 2.6 percent to 202,550 (previous year: 197,432). In our Milwaukee logistics center, the number of shipments totaled 176,851 (previous year: 170,922).

Inventory stock increased at our Karlsfeld logistics center, reaching EUR 29.2 million (previous year: EUR 28.8 million) at the end of fiscal 2007. Altogether, this center's current capacity lies at around 16,600 new machines (previous year: 14,400) and around 22,400 different spare parts (previous year: 22,000). On the one hand, this growth in capacity stems from new product launches, particularly for the bauma construction equipment trade fair, and on the other from increased sales. Inventory stock at our US logistics centers amounted to EUR 37.9 million (previous year: 36.1 million) at the end of fiscal 2007. We also improved delivery processes last year, particularly to Russia.

Stable headcount

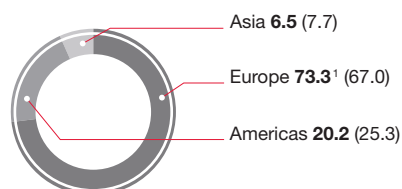
We were able to handle the increased workload with a total headcount of 270 (previous year: 196) across all locations in fiscal 2007. Key factors here were efficient production planning in the logistics centers and high flexibility in the focus factories at our production plants.

Human resources

- Recruitment drive to expand sales and service network
- Emphasis on employee development
- Training for young people actively supported

The Wacker Group HR situation over the last fiscal year was influenced by the company's growth and the merger with NEUSON KRAMER Baumaschinen AG. The personnel figures below do not reflect the actual number of people employed. It is calculated by converting the number of positions within the company into full-time jobs. As of December 31, 2007, the total number of employees discounting the merger was 2,934 (previous year: 2,837) – an increase of 3.4 percent on the same date the previous year. Including the staff of 725 from NEUSON KRAMER Baumaschinen AG, headcount rose to 3,659 at December 31, 2007.

Headcount by region in % (previous year)



All staff employed by our merger partner Neuson Kramer are based in Europe.

¹ Of which 27% are Neuson Kramer employees, December 31, 2007

Of the Wacker Group staff (without NEUSON KRAMER Baumaschinen AG), 1,958 or 66.7 percent were employed in Europe as of December 31, 2007 (previous year: 1,900), 738 in the Americas region (previous year: 719) and 238 in the Asia region (previous year: 218). The entire workforce of our merger partner NEUSON KRAMER Baumaschinen AG is employed in Europe. In Germany, headcount grew to 1,651 in fiscal 2007 (previous year: 1,380), and the number employed in the USA was 663 at the end of the year (previous year: 649).

Recruitment during the last fiscal year was in line with the Wacker Group's strategic aims to strengthen service and distribution and expand the rental business. New hires were particularly concentrated in the Europe region, in sales and service, research and development and IT. The number of employees in logistics and administration remained almost unchanged thanks to our lean structures in these areas.

Skilled staff for strong performance

We continue to pursue our policy of matching the right person with the right job, ensuring all employees have the necessary skills. To achieve this and maintain our strong performance on the international market, our HR activities last year spanned both internal and external recruitment of specialized staff. To meet growing demand for service employees in the subsidiaries, we continued to develop our technical access program, launched in 2006. This program qualifies employees with sound technical training as construction machinists. It was highly successful in 2007, and all participants are to receive permanent contracts in the service area.

In the year under review, Wacker Construction Equipment AG and Weidemann GmbH provided intensive training for 89 young people (previous year: 87) in industrial or business posts or within the framework of practical training programs at technical or vocational colleges. 23 young people were in training at Kramer-Werke GmbH at the end of the year. The student training quota for these three organizations last fiscal year was 6.7 percent in Germany. We were able to offer all students who finished their training positions within the Group. The Wacker Group intends to continue this policy and is also planning to offer training for electrical engineering and mechatronics students in 2008.

In Manila, we provide training in collaboration with the Don-Bosco institute. Here we are currently training 20 young people from low-income families along the same lines as the German dual training system.

Employee development

The Wacker Group places great importance on employee development and ongoing education. Last fiscal year, the core areas targeted by our training and development measures were project management, leadership, technology, distribution, service and foreign languages. Our staff development expenditure for the Group as a whole, including figures from our merger partner NEUSON KRAMER Baumaschinen AG, totaled around EUR 0.9 million. We restructured our training and development measures in Germany with the launch of the Wacker Academy in 2007. A database-driven online platform offers employees transparent and bundled information.

Group employees at Dec. 31

	2007	2006	Change in %
Wacker Neuson Group	3,659	–	–
Wacker ¹	2,934	2,837	+ 3.4
Neuson Kramer	725	640 ²	+ 13.3

¹ Without Neuson Kramer, ² January 31, 2007

Employee share program at IPO

In the course of our IPO in May 2007, the Wacker Group offered preferential share options to employees of Wacker Construction Equipment AG and Weidemann GmbH under a special share program. This allowed acquisition of shares to the value of EUR 5,000 per employee (EUR 10,000 per extended management employee and EUR 20,000 per Prokurist – executives vested with the power of commercial representation) at 15 percent below placement price. The company also covered all taxes and costs associated with purchase. The minimum subscription was EUR 500. Employees are obliged to retain the shares acquired at reduced price until December 31, 2007.

Voluntary benefits

We offer all our employees in Germany numerous voluntary benefits, as well as the opportunity to participate in an employee-funded, insurance-based company pension plan. Depending on their location, we provide various means of support for employees across the Group, including grants, healthcare initiatives and company retirement benefits.

Employee turnover at Wacker Construction Equipment AG in Germany dropped to 5.25 percent in fiscal 2007 (previous year: 5.78 percent) – a low level for the industry. The average age of the workforce was unchanged at 41 years as of December 31, 2007, and the average duration of employment remained stable at 12.2 years (previous year: 12.3 years). At 2.9 percent (previous year: 2.5 percent), the sickness rate was well under the industry average of 4.3 percent.

For the Group as a whole and including NEUSON KRAMER Baumaschinen AG, employee turnover was around 10.3 percent last fiscal year. The average age of the workforce was 37 years old and the average duration of employment 7.8 years. The Group recorded a sickness rate of 2.7 percent.

Sales and marketing

- Customer loyalty measures implemented
- Encouraging feedback at construction equipment trade fairs
- Sales and training activities strengthened

The Wacker Group's sales and marketing activities over the last fiscal year again aimed to provide customers and business partners with convincing proof of the quality and performance of our products and services, increasing their loyalty to the company. Our priorities were to emphasize Wacker's positioning as a premium brand, convey our product benefits and competitive advantages, and inform customers about our broad product and service offering. We implemented this strategy both in person and via a range of communication tools, including product information documents, press releases and our expanded Internet presence.

Our most important trade fair was bauma, the world's largest construction equipment trade fair, held in Munich in spring 2007. This fell during the run-up to our pre-announced merger with NEUSON KRAMER Baumaschinen AG, which was universally well-received by our customers. A steady flow of visitors to our stands enabled numerous positive discussions with both existing and prospective customers, many of which resulted in concrete orders. Order intake at the trade fair site reached EUR 7.5 million – a 46-percent increase on bauma 2004. We also received positive feedback on our products and services at the Nordbau construction trade fair in Neumünster, Germany.

To expand market activity, the Wacker Group hired 14 new employees in the sales and service areas in fiscal 2007, bringing the total global headcount in sales to 737 (previous year: 723) by the end of the year. This enabled us to maintain a high level of service quality and offer tailored product and service solutions, aligned with the specific requirements of customers and their markets.

Work was completed on our training center at the Reichertshofen production site at the beginning of 2008. From this year onwards, the center will offer guidance in implementing our products and services both to our own sales and service team and to customers. We are able to provide this training regardless of weather conditions and will be tailoring it to focus on the use of our equipment in specific customer construction processes. In fiscal 2007, we trained over 2,000 employees and customers at the construction academy in Feuchtwangen.

VIII. Opportunity and risk report

- Risk management system as foundation for business decisions
- No identifiable risks to continued existence as a going concern
- Growth potential for fiscal 2008

Altogether, in view of both our organic growth and the merger with NEUSON KRAMER Baumaschinen AG, we see positive opportunities to consolidate our leading market position in fiscal 2008. Despite dampening overall trends in the global economy and construction industry, we have identified growth prospects for the Wacker Group. We will be working intensively to continue our steady implementation of the goals contained in our business strategy, increasing unit sales, revenue and profit.

In fiscal 2007, the Wacker Group continued to implement its risk and opportunity management system as a key steering tool for business decisions and processes. This system covers planning for each of the core business segments, comprehensive Group reporting on all business processes and affiliates to provide every decision-maker with regular analysis, discussion and evaluation, process definitions for all business segments, and Group auditing.

The risk management handbook outlines the Group's goals, its risk policy in terms of defining, assessing and quantifying potential risks, and the nature and procedures of the risk management system with roles and responsibilities regarding analyzing, monitoring and communicating identified risks. This allows us to derive suitable measures to actively counteract known risks and exploit opportunities for the company.

Risk categorization

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

¹ Risk exposure = (probability/100) x impact

Notes on opportunity and risk management system

Our risk reporting system lists and describes each individual risk and opportunity identified in our lines of business. We examine the situation every quarter and add newly identified opportunities and risks if necessary. The controlling department also surveys the affiliates and departments at the Group headquarters. Following checking for completeness and plausibility, the data gathered is aggregated and compared with the opportunities and risks compiled at the time.

We then assess the opportunities and risks using both quantitative and qualitative methods that are uniform throughout the Group, allowing comparison across the various business units and beyond. The risks are evaluated according to probability of occurrence and potential damages, which we derive and prioritize by means of defined formulae using current and projected figures from our accounting. This provides objectivity in determining damages. Following this process, the opportunity and risk report is generated and presented for acknowledgement by the Executive Board.

Risk probability in %

Category	Degree of probability
Low	0 to 5
Medium	5 to 20
High	20 to 50
Very high	50 to 100

As of December 31, 2007, the company identified the following significant risks to the Wacker Group that could limit our ability to exploit the opportunities described:

Environment and industry risks

(risks related to the overall economic situation, procurement and retail markets, locations and countries)

The Wacker Group is dependent on the general economic climate and construction industry trends and on developments in the agricultural industry as they impact on the Weidemann GmbH affiliate and – to a lesser extent – on the Kramer-Werke GmbH affiliate. Both the economy and the construction and agricultural industries are currently displaying stable growth in Europe.

In Ireland and Spain, we anticipate a downturn in investment in private residential construction. An unexpected construction industry downturn in Europe and Germany could have an immediate negative impact on demand for products and services from the Wacker Group, Kramer-Werke GmbH and Weidemann GmbH.

In the USA, there are signs of a possible recession. Following the crisis on the US property and mortgage market, experts fear that the construction industry downturn will worsen, particularly in private residential construction, and may have a knock-on effect on highway, underground and non-residential construction. However, the US government is planning investment programs to boost the economy, which could mitigate the effects of the sluggish economic and construction climate on our company's business devel-

opment in the Americas region. The Wacker Group is also working to combat these risks by introducing new products, particularly compact equipment. We regularly monitor our cost structure and investment measures with regard to possible impact on our profit, finances and assets.

The Wacker Group is also affected by seasonal nature of our target markets. Sales may therefore fluctuate during the year.

The international nature of our business means our company is exposed to political, national economic and other risks.

The Wacker Group faces tough international competition. While we have decided to maintain the price strategy accepted by our customers, global competitors are increasingly offering discounts. This may mean we lose market share.

Strategic business risks

(risks arising from business decisions, investments, entering new markets, launching new products and acquiring and integrating new companies)

The Wacker Group is expanding its compact equipment segment, sales and service network and rental business field and pursuing an international growth strategy. This involves a high level of investment, which may not necessarily be recouped. Unforeseeable risks can also arise within individual projects and delay execution. We thoroughly examine potential risks and pursue a lean project management policy to prevent this.

The company is also exposed to risks in connection with its ongoing international expansion activities. If they do not proceed as planned, this could have a negative impact on our growth.

As part of our expansion of the compact equipment segment in fiscal 2008, we will be establishing our light and compact equipment offering for the construction industry under the

Wacker Neuson brand and launching Wacker Neuson-branded compact equipment in the Americas region and, in the medium term, Asia. We have identified customer demand here, but there is nevertheless a risk that products under the Wacker Neuson brand will not achieve the desired level of market penetration. We are minimizing this risk through intensive sales and training activities.

The Wacker Group also considers acquisitions to enhance our product portfolio, and these are carefully assessed. However, errors in estimating the risks entailed in an acquisition can have a negative impact on Group business development and growth prospects.

Kramer-Werke GmbH produces telescopic handlers for CLAAS Global Sales GmbH, which Claas then distributes to the agricultural industry under its own name. There is a risk that the contracting company could end this partnership. To combat this, Kramer-Werke GmbH actively manages its relationship with Claas and continually improves its processes and the quality of its products.

Our company's customer and supplier structure varies according to country. Within an individual country, the loss of a major customer can have a serious impact on demand for products and services from the affiliate concerned. In addition, the loss of a supplier or delayed delivery of parts and accessories can threaten an affiliate's individual sales targets. We are countering this risk by expanding our sales activities, making ongoing improvements to supplier structures and concluding standard agreements.

Demand on the international market is becoming increasingly concentrated due to mergers among our customer base. Customer takeovers by financial investors are also possible here. This type of development can have positive or negative impacts on our unit sales and revenue, which it is not yet possible to assess. The Wacker Group is countering this risk through close communication with its customers and further building its brand.

In the Americas region, we are exposed to a shareholding risk through EQUIPRO Inc., a Wacker Corporation affiliate. An unsuccessful outcome to our long-term work to build up this service provider would hit Wacker Corporation with investment losses and severance payments. To prevent this, we intend to collaborate with other manufacturers of non-competing products, to increase the service volume and meet our planned profit targets.

The merger with NEUSON KRAMER Baumaschinen AG has positioned us as a major global player in the light and compact equipment market. The merger entails a risk of delays in distributing compact equipment through our existing sales and service network. Risks also arise from the challenges involved in harmonizing the two companies' existing sales channels, which may lead to the loss of sales partners in Europe. We are countering this by maintaining close ties with our sales partners.

There is also a risk that the integration process may prove more difficult, time-consuming or cost-intensive than anticipated. The merger and integration measures could prove to have a sustained negative impact on business development, and it may not be possible to realize synergies. We are countering this risk by actively involving our executives and employees and pursuing a systematic integration process.

If we encounter unexpected difficulties in integrating NEUSON KRAMER Baumaschinen AG or our compact equipment business does not develop as planned, write-downs on goodwill may become necessary in the future.

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

Performance-related risks

(risks associated with procurement, production, sales, and research and development)

There is a risk that our company might not be able to achieve planned revenue and profits if individual distribution partners do not sell the expected volumes of our products.

The Wacker Group requires components and raw materials, particularly steel, for use in product manufacturing. We are dependent on our individual suppliers here. Where demand is high and they experience capacity bottlenecks, this can result in delivery problems that may affect our company. Compact equipment production is associated with particularly high parts and materials requirements. Delayed deliveries can hold up production and therefore have a negative impact on sales and margins. To decrease this risk, we take prompt measures to influence the process, such as concluding long-term partner agreements. This also aims to avoid unforeseen price increases for components and raw materials.

Wacker also relies on delivered components and raw materials being free of defects and meeting the relevant specifications and quality standards. Defects here can result in quality problems as well as delays to our production processes and therefore to our shipments. We address this risk with our quality management system, which also covers supplier relations.

Capacity bottlenecks in the compact equipment segment could harm our ability to deliver.

We counteract the risk of changes in individual customers' payment patterns through our active accounts receivable management policy.

The Wacker Group depends on developing new products and introducing these to the market in good time. Here it

is essential to comply with national and international guidelines and new legislation and to observe them in our product development. If this does not continue to happen, our competitive position and growth opportunities may be impaired. The company's research and development department therefore continuously works to develop new products and enhance our existing portfolio, always aligning its activities with market demands and observing applicable regulations.

Financial risks

(risks associated with financial instruments, exchange rate and interest fluctuations and financing)

The Wacker Group operates worldwide and therefore generates a large amount of its revenue in currencies other than the euro. Exchange rate fluctuations, particularly between the euro and US dollar, could therefore affect the company's key results. The company has incorporated a reasonable average exchange rate for the US dollar into its planning. However, an unforeseeable development could necessitate hedging measures.

We use standard financial instruments such as interest rate swaps and foreign exchange forward contracts and options exclusively for hedging purposes and to minimize risks. To acquire Weidemann GmbH in 2005, we arranged EURIBOR-based loan with a fixed margin and semi-annual interest and principal payments. At least 75 percent of the interest risk on the outstanding loan is hedged by a financial derivative (forward interest-rate swap).

Legal risks

(risks related to pending legal proceedings, patent and trademark law, and tax law)

A potential risk is that the Wacker Group may be unable to protect its intellectual property sufficiently, which could impair its competitive ability. We are counteracting this risk through intensive patent and intellectual property management.

Warranties and product liability claims can result in claims for damages and injunctions, as can disputes with third parties over intellectual property rights. We combat this risk by adhering strictly to tightly worded contracts.

No legal proceedings are currently underway or pending that might pose significant risks to the Wacker Group's financial situation. The Group has concluded insurance policies worldwide to protect against liability risks and potential damages attributable to the company.

Other risks

(risks associated with human resources, IT and the environment)

The company uses numerous IT systems in logistics, procurement and production. Failure of these systems could negatively impact on our production and goods flow and lead to loss of sales.

The Wacker Group is focusing on expanding its capacities, and construction work could cause delays to operational processes. We curb this risk through active project planning.

Increasingly strict regulations to reduce noise and environmental impact and measures to ensure user protection can entail additional costs for the Wacker Group. We counteract risks from increasing legal obligations through active and prompt implementation.

Since the Wacker Group is on a growth path, we are constantly looking to recruit new employees, including qualified mechanical engineers. A downturn in the labor market could prevent us covering our growing staff requirements. The Company is countering this risk with expanded recruitment measures and specially developed access programs for junior staff.

Summary of Group risk situation

(assessment of risk situation by the Executive Board)

Viewed in terms of percentage of overall risk, our main risks lie in the performance-related and financial categories.

Together, these represent more than 75 percent of the total risk to our Group.

We are not currently aware of any other significant risks to the Wacker Group. We also have not identified any risks to our continued existence as a going concern that – either individually or collectively – might negatively affect individual companies within the Group or the Group as whole in the foreseeable future.

Distribution of risk

in %

Risk category	Percentage share of total risk
Performance-related risks	71.0
Financial risks	13.8
Other risks	5.9
Strategic business risks	4.9
Environment and industry risks	3.8
Legal risks	0.6

IX. Information on acquisitions within the meaning of section 315 (4) of the HGB

Composition of subscribed capital

The company's share capital in the amount of EUR 70,140,000 is divided into 70,140,000 registered shares each representing a proportionate amount of the share capital of EUR 1.00 according to Article 3 (2) of the Articles of Incorporation. There is only one type of share. Each share entitles the bearer to one vote at the AGM.

Restrictions affecting voting rights or the transfer of shares

Information on the syndicate agreement

There is a syndicate agreement between some shareholders and companies of the Wacker family and companies and shareholders of Neuson. Prior to each AGM of Wacker Construction Equipment AG, the syndicate members decide how to exercise voting and petition rights in the meeting. Each syndicate member undertakes to exercise their voting and petition rights in the AGM of Wacker AG in line with the syndicate's decisions, or to have these rights exercised in this manner. If the syndicate does not reach a decision, with regard to a resolution on the allocation of annual profits, adoption of the annual financial statements by the AGM, approval of Executive and Supervisory Board members' actions, appointment of the auditor, upholding minority interests and compulsory changes to the Articles of Incorporation as a result of changes to legislation or jurisdiction, the syndicate members have the right to freely exercise their voting rights. In all other cases, the syndicate members must vote to reject the proposal. The Neuson shareholders appoint two members of the Supervisory Board, and the Wacker shareholders appoint two members of the Supervisory Board.

Shares can be transferred without restriction to spouses, registered partners, syndicate members' children, children adopted when they were minors by syndicate members, siblings, foundations set up by syndicate members in which exclusively persons with the above qualifications and con-

trolling members of the Executive Board are the beneficiaries charitable foundations, companies in which exclusively persons with the above qualifications are direct or indirect shareholders. If shares are transferred to any such persons, they must join the syndicate. If shares are transferred to third parties, either for a fee or free of charge, the other syndicate members have the right to acquire these shares. If the shares are to be sold to third parties off the stock exchange, all of the other syndicate members have a preferential purchase right. If it is intended to transfer the shares with the result that more than 50 percent of voting rights in Wacker Construction Equipment AG are transferred to third parties that do not form part of the group of people to whom transfers can be freely made, the remaining syndicate members have the right to also sell their shares. If a syndicate member is excluded from the syndicate for good reason, the other syndicate members have a right to acquire the shares or a preferential purchase right. This also applies if a syndicate member ceases to qualify as a syndicate member.

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

Part of the Wacker family shareholders hold part of their shares via Wacker Familiengesellschaft mbH & Co. KG, which in turn also holds shares via Wacker-Werke GmbH & Co. KG. Economic ownership of the shares is attributed to the Wacker family shareholders.

The syndicate agreement has precedence over the regulations of the partnership agreement as long as Wacker Familiengesellschaft mbH & Co. KG is party to the above syndicate agreement. A partners' meeting is held prior to every AGM of Wacker Construction Equipment AG. In this meeting, the Wacker family shareholders define how they will vote and exercise their petitioning rights. However, votes in the AGM are to be cast in line with the syndicate's decisions. Two of the Wacker family shareholders have the right to propose one member of the Supervisory Board each to the shareholders, this member is then to be elected by the remainder.

Only the acquisition and preferential purchase rights in the syndicate agreement apply for family members who are party to the syndicate agreement. In the case of a sale by a family member who is not a syndicate member, acquisition and preferential purchase rights apply for sales to third parties who do not have comparable qualifications to those persons to whom shares can be freely transferred according to the syndicate agreement mentioned above. If a family shareholder exits the company as a result of a termination, the remaining syndicate members have a preferential purchase right to buy the shares for a period of two years from the date this shareholder exits the company. In addition, the partners' meeting can resolve that the exiting family shareholder does not receive compensation in cash but in the form of the shares to which they are financially entitled. After a period of five years has expired after the shares are admitted to trading on a German stock exchange or after midnight on December 31, 2013 – the earlier of these two dates applies – each exiting family member can demand to receive their compensation in the shares to which they are financially entitled.

Syndicate agreement between Lehner and Neuson shareholders

The Lehner shareholders have issued a Neuson shareholder with an irrevocable power of attorney with regard to the shares they acquired prior to the merger and during the merger of Wacker Construction Equipment AG and NEUSON KRAMER Baumaschinen AG. The Neuson shareholder is independently responsible for exercising these voting rights. He is not subject to any instructions, and will always exercise these in the same way as for the shares that he himself holds. These shares are thus subject to the restrictions of the syndicate agreement (page 108) above.

The Neuson shareholder has a preferential purchase right to buy these shares in the event of a transfer to entities other than the Neuson shareholder or to Lehner shareholders.

Shares that part of the Executive Board members receive as part of their remuneration

Three of the members of the Executive Board have received shares of Wacker Construction Equipment AG as part of their remuneration. Wacker Construction Equipment AG has an unrestricted, preferential purchase or acquisition right with regard to these shares of Wacker Construction Equipment AG every time these are transferred.

Shares that are subject to lock-up as a result of initial admission to stock market trading

The company has made an undertaking to the IPO's global coordinators that it will not either directly or indirectly sell treasury shares without their written permission for a twelve-month period after its shares are initially listed (May 15, 2007), nor will it offer these shares, transfer them or otherwise dispose of them, however the sale of treasury shares in connection with the merger with Neuson Kramer was expressly excluded from this undertaking.

The selling shareholders during the IPO and Wacker Familien-gesellschaft mbH & Co. KG, Wacker-Werke GmbH & Co. KG and the members of the Executive Board Dr. Georg Sick, Richard Mayer and Werner Schwind have made an undertaking to the IPO's global coordinators not to sell, pledge or offer any of the other shares of the company they hold, either directly or indirectly, without their prior written permission for a period of twelve months after their initial listing (May 15, 2007).

The Chairman of the Supervisory Board, Hans Neunteufel and PIN and Neuson Industries GmbH which belong to his group, have made a corresponding undertaking to the global coordinators for a twelve-month period after initial listing. This undertaking also includes the shares of the company acquired by Ecotec as part of the merger between Wacker and Neuson Kramer.

Bearer of shares with extraordinary rights that grant the holders controlling powers

There are no shares with extraordinary rights that grant the holders controlling powers.

Type of control of voting rights if employees hold participating interests and if they do not directly exercise their controlling rights.

The company's employees can exercise the controlling rights due to them from shares directly, as is the case for other shareholders, according to statutory provisions and the Articles of Incorporation.

Statutory provisions and provisions of the Articles of Incorporation regarding the appointment and dismissal of members of the Executive Board and changes to the Articles of Incorporation

Members of the Executive Board are appointed and dismissed according to Sections 84 and 85 of the Aktiengesetz (AktG – German Public Limited Companies Act). According to Article 5 (1) of the Articles of Incorporation, the Executive Board comprises one or several members. The Supervisory Board determines the number of members of the Executive Board according to Article 5 (1) of the Articles of Incorporation (Article 5 (2) sentence 1 of the Articles of Incorporation). The Supervisory Board appoints and dismisses members of the Executive Board. 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 5 (2) sentence 2 of the Articles of Incorporation).

Sections 179 ff of the AktG must be observed in the event of changes to the Articles of Incorporation. The AGM resolves on changes to the Articles of Incorporation (Sections 119 (1) No. 5 and 179 (1) of the AktG). The Supervisory Board is authorized to resolve changes to the Articles of

Incorporation that only affect the wording (Article 14 of the Articles of Incorporation). Resolutions by the AGM are passed with a simple majority of votes cast and, to the extent that the law requires a majority of capital represented in addition to a majority of votes cast, with a simple majority of the share capital represented when the resolution is passed to the extent that mandatory statutory regulations require a larger majority of votes cast or capital represented; votes withheld do not count as votes cast (Article 20 (1) of the Articles of Incorporation).

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

Treasury shares

By way of a resolution by the AGM on April 13, 2007, the Executive Board is authorized, with the prior approval of the Supervisory Board, to acquire 5,100,000 treasury shares from Wacker Beteiligungs GmbH & Co. KG, Munich or via the stock exchange by October 12, 2008. This acquisition may also be performed by one of the company's group companies or for its or their account by third parties. In so doing, the shares acquired as a result of this authorization together with other shares of the company that it has already acquired and still holds may not at any time total more than 10 percent of the existing share capital. A purchase offer directed to all shareholders is excluded if the shares are acquired from Wacker Beteiligungs GmbH & Co. KG.

The compensation paid by the company per registered share (without incidental acquisition costs) may not be more than 10 percent higher or lower than the arithmetic average of the closing prices for shares of the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the last five stock market days prior to the date on which the undertaking to acquire the shares was entered into. The authorization can be exercised in whole or in parts, in the latter case also on multiple occasions.

The Executive Board may also withdraw the treasury shares still to be acquired without a renewed resolution by the AGM with the permission of the Supervisory Board. The authorization can be exercised in whole or in parts, in the latter case also on multiple occasions. The withdrawal is performed such that the share capital is not changed, but that the proportion the other shares represent in the share capital is increased by withdrawing the shares within the meaning of Section 8 (3) of the AktG (Section 237 (3) No. 3 of the AktG).

Direct or indirect participating interests¹ in equity that exceed ten percent of voting rights

in % at Dec. 31, 2007	Direct voting rights	Indirect voting rights
Notifiable		
Wacker Familiengesellschaft mbH & Co. KG	5.29	59.09
Wacker-Werke GmbH & Co. KG	29.07	35.31
IWZ AG		64.38
VGC Invest GmbH	1.92	68.43
Christian Wacker		68.43
Dr. Ulrich Wacker		70.35
Andreas Wacker		68.43
Barbara von Schoeler		68.43
Petra Martin		64.38
Dr. Andrea Steinle		64.38
Ralph Wacker		64.38
Susanne Wacker-Waldmann		64.38
Benedikt von Schoeler		64.38
Jennifer von Schoeler		64.38
Leonard von Schoeler		64.38
AW Holding Inc.		64.38
Alexander Wacker		64.38
Trustee		64.38
Vicky Schlagböhmer		64.38
Christiane Wacker		64.38
Georg Wacker		64.38
Baufortschritt - Ingenieurgesellschaft mbH		64.38
PIN Privatstiftung	0.00001	64.38
NEUSON Industries GmbH	0.00001	64.38
Johann Neunteufel	0.00001	64.38
NEUSON Ecotec GmbH	29.01	35.37
Martin Lehner	0.46	64.04
Adolf Lehner	0.34	64.04
Herta Lehner	0.34	64.04

¹ Votes bound through the syndicate agreement (see page 108) are added together.

The Executive Board is authorized, with the approval of the Supervisory Board, to use shares of the company that were acquired as a result of the above authorization as (partial) compensation as part of mergers or to acquire companies, participating interests in companies or parts of companies. In addition, the Executive Board is authorized, with the approval of the Supervisory Board, to sell the treasury shares still to be acquired at a price that is not substantially lower than the stock market price on the date of the sale. The price at which shares of the company can be sold may not be more than 5 percent higher or lower than the arithmetic average of the closing prices of shares of the company in Xetra trading (or a comparable successor system) at Frankfurt Stock Exchange on the last five stock market days prior to the date of the general sale. In this case, the number of the shares to be sold together with the new shares that were issued after this authorization was issued excluding subscription rights within the meaning of Section 186 (3) sentence 4 of the AktG, and together with treasury shares already sold, may not exceed 10 percent of the company's share capital which exists on the date the resolution by the AGM came into effect. The authorization to withdraw/sell shares can be availed of in full or in several partial amounts. The shareholders subscription rights to treasury shares of the company is excluded to the extent that these shares are withdrawn or sold according to the above authorizations.

Authorized Capital I

According to Article 3 (3) of the Articles of Incorporation, the Executive Board is authorized to increase the company's share capital by April 12, 2012, with the approval of the Supervisory Board, by issuing new, registered shares against cash contributions, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 1,000,000 (Authorized Capital I).

Shareholders' statutory subscription rights are excluded:

- If employees of the company and its subsidiaries and executive bodies of subsidiaries (to the extent that these are not simultaneously members of the company's Executive Board) are offered shares at an issue price that is 15 percent lower than the issue price;
- For fractional amounts;
- Otherwise, if the issue price of the new shares is not significantly below the company's market price and the new shares issued to the exclusion of subscription rights do not exceed a total of 10 percent of the share capital, neither at the time the authorization takes effect, nor at the time of exercising. Shares must be added to the above 10 percent threshold that are issued or are to be issued to service options or convertible bonds to the extent that the bonds are issued in corresponding application of Section 186 (3) sentence 4 of the AktG excluding subscription rights; in addition the sale of treasury shares is to be added if the sale was made as a result of a valid authorization to sell treasury shares that applied on the date that Authorized Capital I came into effect in corresponding application of Section 186 (3) sentence 4 of the AktG excluding subscription rights.

Subject to the approval of the Supervisory Board, the Executive Board also decides on the content of the respective share rights and the other conditions of the share issue including the issuing amount.

Authorized Capital II

According to Article 3 (4) of the Articles of Incorporation, the Executive Board is authorized to increase the company's share capital by April 12, 2012, with the approval of the Supervisory Board, by issuing new, registered shares against non-cash contributions, in full or in partial amounts, on one or several occasions, however at the most by a maximum of EUR 5,360,000 (Authorized Capital II). The shareholders' statutory subscription rights are excluded to grant shares against

the contribution of companies and participating interests in companies or parts of companies to the company against granting shares of the company. Subject to the approval of the Supervisory Board, the Executive Board also decides on the content of the respective share rights and the other conditions of the share issue including the issuing amount.

Information on the company's key agreements that are subject to a change of control clause and the resulting impact

The company has the following key agreements that are subject to a change of control clause at Wacker Construction Equipment AG:

The conditions of the master credit agreement in the original amount of EUR 50 million to finance the acquisition of the Weidemann Group in 2005 include an extraordinary right on the part of the lender to terminate the credit line in the event of a change to the company's shareholder structure.

A credit agreement for a revolving line of credit for EUR 65 million to finance working capital requirements for the company grants the lender the right to extraordinary termination of the agreement if there is a change of control at the company. According to the credit agreement, there is a change of control if a different person acquires or takes over at least 50.01 percent of voting rights in the company, or ascertains that they hold this amount. Voting rights are allocated within the meaning of Section 30 of the Wertpapier-Übernahmegesetz (WpÜG – German Acquisition and Take-over Act).

An agreement on the acquisition by the company of various pumps that are needed for use on construction sites gives the supplier the right to extraordinary termination of the agreement in the event of a change of control at the company. A change of control is defined as being a case in which the entire participating interests of the current shareholders fall to less than 50 percent.

There is also an agreement for the procurement of various separating disks that are also needed for use on construction site that includes a change of control clause. This includes a right on the part of the supplier to extraordinary termination of the agreement if the entire participating interest in the company held by the current shareholders falls below 50 percent.

Compensation agreements between the company and the members of the Executive Board or its employees for the event of a takeover offer.

There is no such agreement.

X. Information in accordance with section 315 (2) No. 4 of the HGB

Information on the Executive Board

According to the Vorstandsvergütungs-Offenlegungsgesetz (German Executive Board Remuneration Disclosure Act), listed companies must disclose individualized information on the Executive Board's remuneration in the notes to the annual and consolidated financial statements, broken down into performance-related and non-performance related components as well as long-term incentives. The Act stipulates that information may be withheld if the AGM resolves this with a majority of 75 percent of votes cast. This type of resolution can be passed for a maximum period of five years. Wacker Construction Equipment AG has availed of this opportunity for fiscal years 2006 to 2010 by way of a resolution by the AGM on May 15, 2006.

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

The Executive Board's remuneration comprises:

- A fixed annual basic salary
- A variable annual salary
- Transitional pay, compensation upon an early exit
- Remuneration in the case of accident, illness or death
- Non-cash remuneration and other additional remuneration
- A pension commitment.

The individual remuneration components are as follows:

The annual fixed salary is paid in equal monthly installments.

The variable salary is based on consolidated earnings after taxes, taken from the approved consolidated financial statements for the respective fiscal year. An upper threshold for the variable remuneration has been agreed in the same amount for each member of the Executive Board.

If the Executive Board members' employment contract is terminated prematurely, but not for good cause, the members of the Executive Board each receive compensation in the amount of their average discounted annual remuneration for the remainder of the contractual period including their variable remuneration. If the contract is terminated after the age of 55 and prior to the member reaching the age of 61, the members of the Executive Board may claim transitional payments calculated on the basis of their fixed annual remuneration using the declining balance method. The Executive Board members' claim to transitional payments expires when they reach the age of 61.

If they are temporarily prevented from working through no fault of their own, members of the Executive Board continue to receive their fixed annual salary and bonus for a period of twelve months. Widows and dependant children receive corresponding payments for a limited period.

In addition, some of the members of the Executive Board hold around 1.2 million shares in the company. Those members of the Board who do not yet hold shares in the com-

pany shall receive a special bonus during the interim period pending introduction of an executive profit-share model.

The non-cash remuneration and other remuneration includes a subsidy for private life insurance, premiums for life insurance in favor of the Executive Board members, premiums for accident insurance, the use of a company car, etc. Due to the change in the location of their place of work, the new members of the Executive Board receive a monthly lump-sum reimbursement for their out-of-pocket expenses and a one off amount as reimbursement for their relocation costs. The members of the Executive Board receive an old-age pension upon reaching the age of 61. This is to be paid irrespective of when and for what reason the employment relationship with the company ends unless it is terminated for good cause that is the fault of the Executive Board member. The old-age pension is paid for life. In addition, an invalidity pension is paid in the event of disability or professional incapacity, and a widow's and orphans' pension is paid in the event of death. The old-age pension and the invalidity pension total a maximum of 55 percent of the fixed annual salary upon reaching the age of 61, with the maximum percentage that can be achieved increasing at an even pace over the duration of the employment relationship. If the Executive Board member's employment contract is terminated prematurely without this being due to good cause at the fault of the Executive Board member, any other remuneration may also be included. The widow's pension totals 60 percent of the pension that the Executive Board member would have received, the pension for a half-orphan totals 10 percent, and the total for a full orphan is 15 percent.

Information on the Supervisory Board

According to the Articles of Incorporation, members of the Supervisory Board receive remuneration determined by the AGM. By way of a resolution dated July 4, 2003 (in the wording of the resolutions dated May 15, 2006 and April 13, 2007), the Annual General Meeting set fixed and variable remuneration for the members of the Supervisory Board for each fiscal year. The fixed remuneration for each individual member of the Supervisory Board totals EUR 20,000. The

Chairman of the Supervisory Board receives twice this amount, and his/her Deputy receives 1 ½ times the fixed remuneration. Members of committees receive an additional remuneration, with the Chairman of each committees receiving twice the regular committee remuneration. In addition, the members of the Supervisory Board receive a meeting fee for each Supervisory Board meeting in which they participate.

The variable remuneration for the individual members of the Supervisory Board is based on the consolidated earnings after taxes. It is capped at 1 ½ times their respective fixed remuneration. It is calculated in line with the company's approved consolidated financial statements taking Section 113 (3) of the AktG into account. Meeting fees are added to the variable remuneration. In addition, members of the Supervisory Board are reimbursed for their out-of-pocket expenses and any VAT that may be due on their remuneration and out-of-pocket expenses.

XI. Supplementary report

On February 4, 2008, the German Financial Supervisory Authority (BaFin) approved our prospectus for the admission of a total of 19,140,000 registered ordinary no-par-value shares to Frankfurt Stock Exchange's Regulated Market, and, simultaneously, to the sub-sector of that market with additional admission and follow-up obligations (Prime Standard). We published this prospectus on the same date, and the new shares were listed for trading on February 7, 2008.

These 19,140,000 shares originate from a capital increase from authorized capital against contributions in kind under exclusion of shareholder subscription rights amounting to EUR 16,702,912, decided by the Executive Board with the approval of the Supervisory Board on September 23, 2007 in order to execute the merger with NEUSON KRAMER Baumaschinen AG and entered in the Register of Companies on October 2, 2007, and from a capital increase from authorized capital against contributions in kind under exclusion of

shareholder subscription rights amounting to EUR 2,437,088, decided by the Executive Board with the approval of the Supervisory Board on October 18, 2007 in order to execute the merger with NEUSON KRAMER Baumaschinen AG and entered in the Register of Companies on October 29, 2007, with each registered share representing a EUR 1.00 slice of Wacker Construction Equipment AG share capital and entailing full dividend rights from January 1, 2007.

XII. Opportunities and outlook for future Wacker Group development

Overall economic outlook

- **Favorable economic development anticipated for 2008 despite fears of US recession**
- **Ongoing expansion of European economy**
- **Economic upturn to continue in Germany**

The overall expert consensus is that economic development should remain favorable during 2008. However, in view of the prolonged uncertainty surrounding the US property market and resultant threat of recession, increasing raw materials prices, and further weakening of the US dollar, experts do anticipate an appreciable slowdown in global economic growth. In consequence, there are fears that economic prospects could also be dampened in regions beyond the US. In real terms, global GDP is forecast to grow 3.0 percent and world trade 5.8 percent in 2008.

The US central bank predicts a slower rate of growth for the USA in 2008. Experts anticipate overall growth of between 0.8 and 2.0 percent, real GDP growth of 2.1 percent and gross investments in fixed assets to rise 0.5 percent. The trend in Latin and Central America is also likely to be slightly dampened due to dependence on the US market, but the growth rate for real GDP should still reach 4.5 percent. The Asian economy is set to remain stable despite a slight downturn in East Asia and China due to tapering exports. The average annual growth forecast for the Asia region is

4.6 percent until 2010. According to a joint survey by leading economic research institutes, real GDP is set to experience strong growth rates in China (+ 10.5 percent), India (+ 8.5 percent) and East Asia (+ 5.0 percent). Similarly, the upturn in emerging economies will continue at an overall growth rate of 4.6 percent and with real GDP increasing 5.9 percent. Forecasts for economic development in Oceania are also positive.

The European economy is also on a growth path for 2008, with real GDP forecast to increase 2.4 percent. The upward trend is set to continue in EU member states in Central and Eastern Europe, albeit with slightly decreased momentum due to the economic slowdown across the euro zone. Real GDP is anticipated to grow 5.3 percent. The outlook for the Russian economy also remains favorable for 2008, both in terms of private consumption and investments. Real GDP should increase 7.0 percent.

In Germany, the evaluation of leading economic institutes and the German Federal Ministry of Economics and Technology (BMWi) is that the economic upturn will continue in 2008 and 2009, but slow in pace due to prevailing global economic conditions. While domestic demand should see strong expansion, exports and company investments are set to lose momentum somewhat. Economic experts forecast GDP growth of between 1.75 and 2.2 percent in 2008 here.

Outlook for construction and agricultural industries

- **Planned global investment in infrastructure projects**
- **Positive outlook for European construction industry**
- **Stable growth expected in German construction**

Prospects for the international construction industry are promising both for 2008 and beyond. Studies indicate that construction market volumes worldwide will increase from their current level of around EUR 4.5 trillion to around

EUR 8 trillion in 2020. The Global Insight market research institute expects growth of 3.6 percent in worldwide construction volumes for 2008, followed by a 5.3-percent increase in both 2009 and 2010. Datamonitor anticipates that sales volumes in the light and compact construction equipment and agricultural machinery industries will increase 21.9 percent, from USD 112.8 billion in 2006 to USD 137.4 billion by 2011.

This forecast is based in particular on governments worldwide planning numerous infrastructure improvements, including highway construction, telecommunications, and transport and traffic projects. According to the Datamonitor experts, this is likely to boost demand for highway and underground construction companies, bringing average annual growth to 5.0 percent until 2010. Studies indicate that the countries with major infrastructure requirements include China, Russia, India, and nations in the Middle East, Eastern Europe and Central and Latin America. As part of its efforts to increase growth and employment, the EU also intends to provide its member states with subsidies for transportation infrastructure projects in the member states. Experts anticipate that the positive development in non-residential construction can mitigate a possible further downturn in the residential construction sector.

In the Asia region, construction is set to grow at an average rate of 4.6 percent until 2010. Governments here are using national subsidy programs to invest intensively in infrastructure improvements, especially the expansion of highway systems and railroad networks. Global Insight expects construction volumes to rise 7.7 percent in this region in 2008.

In the US, experts anticipate that the 2007 downturn in private residential construction will continue during the first half of 2008 and also have some impact on highway, underground and non-residential construction. However, population growth in the USA should help stabilize the housing market in the medium term. Global Insight expects construction volumes to decrease 5.6 percent in North America during 2008. The North-American Association of

Equipment Manufacturers for highway and industrial construction predicts sales growth of around 4 percent for the light equipment segment in Canada and the USA in 2008. For the USA, Global Insight forecasts 0.4-percent growth in residential construction by 2011, and 7.1 percent in the non-residential market. For South America, the institute anticipates an increase in construction volume of 7.6 percent in 2008.

Experts from Euroconstruct assess that Europe will also continue to see investment in residential and non-residential construction, with the market growing 1.4 percent in 2008 and 1.6 percent in both 2009 and 2010. The forecasts for Eastern Europe are significantly higher again, with 9.2-percent growth expected in 2008, 8.8 percent in 2009 and 6.9 percent in 2010. According to Global Insight, construction volumes in Western Europe are set to increase for the sixth consecutive year, rising 3.4 percent in 2008. High single-digit growth is expected in Eastern Europe here.

Non-residential and underground construction are set to be particular growth drivers in the European construction sector, especially through infrastructure projects and renovation and modernization work. Euroconstruct rates prospects for the European non-residential sector over the next three years as good, despite a slight slowdown in growth rates. 3.1-percent growth is predicted for 2008, and 2.2 percent in each of the two following years. According to Euroconstruct, European underground construction will see average annual growth of 3.5 percent until 2010, particularly in the five major markets of Spain, Great Britain, France, Italy and Germany, as well as in Eastern Europe. The main focus areas here will be highway and railroad improvements, energy and water supplies and telecommunications. Experts also identify high growth potential over the next three years in Eastern Europe, in particular, and in the field of renovation, maintenance and modernization.

The Federation of the German Construction Industry expects non-residential and underground construction to remain key growth drivers in German construction in 2008.

However, experts also anticipate a slight downturn in the construction sector here, for reasons including developments on the US property market and exchange rate fluctuations. The Federation of the German Construction Industry foresees nominal growth of 3.0 percent in 2008, stemming largely from non-residential construction, with sales rising a nominal 6.5 percent, and from increased municipal investments. The German Federation of Light and Compact Construction Equipment and Industrial Machinery Companies (bbi) expects growth in rentals and compact construction equipment sales for the same period.

Construction investment is set to rise 1.5 percent in 2008. Investments are expected to drop slightly in residential construction but increase 4.0 percent in non-residential construction and 2.8 percent in public construction. Residential construction sales are forecast to decrease by 1.5 percent. The German Confederation of Skilled Crafts (ZDH) is hoping that the newly established German program for residential construction subsidies will generate positive momentum for increased investment in private residential construction by the end of 2008. Demand for machinery, equipment and supplies is set to continue. The German Association of Machinery and Plant Construction (VDMA) expects real growth of 5 percent for the German construction and building materials industry in 2008. Order intake should remain on an uninterrupted growth path, while the number of employees is likely to reduce slightly.

Good growth prospects for the agricultural sector

The significance of the agricultural industry within individual national economies continues to grow, with food production and alternative fuel sources key driving factors. Euroconstruct assesses that the increasing concentration and industrialization of agricultural holdings in Europe will raise demand for investment in machinery. Thanks to improved earnings for agriculturists, investments are likely to be high in 2008. The European agricultural machinery market is forecast to experience annual growth of 2.7 percent until 2010.

Opportunities and outlook for future Wacker Group development

- Wacker Group views future with confidence
- Continued growth strategy
- Implementation of integration measures

The Wacker Group looks with confidence to the rest of fiscal 2008 and beyond. We now aim to build on the predicted economic development and positive outlook for the construction industry, especially in the Europe region, to further increase sales and earnings in 2008 and subsequent years. As part of our continued growth strategy, we intend to step up our investment activities and drive growth across all regions and business segments. We will continue to ensure our costs grow at a slower rate than sales.

The fact that we have clearly outpaced the market over the last few years, despite an economic and construction industry climate that was by no means positive, stands us in good stead here. We view the uncertainties in individual construction markets caused by the US property and mortgage crisis as an opportunity, as we will be using our existing sales and service network to launch our compact equipment offering, in particular, leading the way in technology and design. This assessment is supported by the substantially increased order volume in the compact equipment segment reported at the turn of fiscal 2007/2008. An increase in compact product orders for the construction and agricultural industries at the beginning of 2008 leads us to conclude that an optimistic mood prevails among our end customers, causing them to place their orders relatively early.

Our merger with NEUSON KRAMER Baumaschinen AG opens up great potential for sustainable growth in fiscal 2008 and beyond. Implementing our integration measures will continue to be a key focus for us in 2008. Here we are par-

ticularly looking to harness sales opportunities by launching compact products from NEUSON KRAMER Baumaschinen AG through our established global sales network. We also intend to exploit cost-cutting potential, for instance by purchasing modules for compact equipment manufacturing.

Development outlook by region

The Wacker Group aims to strengthen its leading market position as a provider of light and compact construction equipment worldwide. To promote growth in the regions, we are systematically aligning our activities with market requirements. A particular focus here is therefore further expansion of our sales and service network across the globe. The growing renovation and reconstruction market also offers promising medium-term prospects.

Capitalizing on market opportunities in European construction and agriculture

Thanks to the construction market outlook, prospects for our European affiliates are positive for fiscal 2008 and 2009, especially in view of growing state-subsidized investment in infrastructure projects. Our aim therefore is to increase unit sales and revenue here. At the same time, we will be working to satisfy rising customer demand for individual product and service solutions. We also intend to continue expanding our rental business in Central and Eastern Europe through targeted investment.

The Wacker Group will continue to concentrate on improving internal processes in production and logistics over the coming years. We are looking at options to expand capacity in our European logistics center without the company investing in buildings. We are also constructing a new research and development center and Group headquarters at our Munich location.

Compensating through compact equipment launch in the Americas

The Wacker Group expects conditions on the North American market to remain difficult in fiscal 2008 due to the US property and mortgage crisis. However, we are viewing the situation as an opportunity for our company, and will be launching 14 compact construction machines in 2008, concentrated on the USA. Medium term, following the initial ramp-up phase which will include numerous market penetration measures such as employee training, we are confident that we can grow in this region even if the market takes a further downturn. To secure this growth in the long term and reduce exchange rate effects, we are planning to construct manufacturing facilities for compact equipment in the USA.

The construction industry outlook for our affiliates in Central and South America is certainly positive, with the relevant governments announcing an increased focus on infrastructure projects. We are aiming to continue expanding our EQUIPRO, Inc. service network over the next few years. Our intention is to increase the number of franchisees to cover growing service demand both for Wacker equipment and third-party products.

Harnessing market potential by expanding sales in Asia

We aim to exploit the positive construction industry development in the Asia region, including in the field of infrastructure improvements. In particular, we will be continuing to expand our sales network in China to consolidate our market position as a provider of high-quality products and services. In Thailand, Australia and New Zealand, the Wacker Group expects another upturn in results due to the positive trend forecast for the construction industry.

Development outlook by business segment

The Wacker Group's aim for fiscal 2008 and beyond is to consolidate its strong market position in the individual business segments through further growth. Our main focal points here are broadening our portfolio in the light and compact equipment segments and expanding our rental business at existing stations in Central and Eastern Europe.

High single-digit growth in light equipment segment

By broadening its product portfolio in the light equipment segment, the Wacker Group intends to strengthen its leading market position in its core business. With this aim in mind, we will again be rolling out numerous new products and product variants in fiscal 2008, across all business fields. On average, we are anticipating high single-digit growth in this segment over the coming years. We will continue to pursue our strategy of offering customers high-quality, innovative and practical products in an upscale price segment, ensuring user safety and environmental protection.

Double-digit growth in compact equipment segment

We have identified high growth potential in the compact equipment business segment, as our compact-category products are still at the beginning of the lifecycle. Since demand for these products is rising, we expect double-digit average growth over the next few years, assuming no further downturn in market prospects. In the wake of the merger, we will be using our existing sales and service network to distribute NEUSON KRAMER Baumaschinen AG's high-quality range of compact equipment under the Wacker brand during the current fiscal year. Kramer wheel loaders will be marketed in Europe with their existing name, and we are also retaining the Weidemann brand due to its leading position in the agricultural sector.

The agricultural industry is tending towards larger holdings in Europe, which is fuelling a rise in rationalization investments. This also aligns with increases in EU agricultural subsidies, and we are keen to capitalize on the additional opportunities this is opening up for our Weidemann GmbH affiliate over the coming years.

Significant growth in services segment

We are also anticipating double-digit growth for our services business segment over the next few years. The Wacker Group growth strategy here will concentrate on expanding the rental business in Central and Eastern Europe and extending our global sales and service network in coming years.

Company forecast

Wacker Group aims for further sales and earnings growth

In our view, overall economic conditions and the outlook for the international construction industry mean the Wacker Group's prospects are promising. Here we are assuming that the US construction situation, in particular, does not significantly impair our business performance and that weather conditions in Europe do not have a major impact.

Key targets and forecasts

	2008
Sales	> €1 billion
EBITDA	> 17%
Investments	> €100 million
Cash flow from operating activities	€113 million
Distribution ratio for dividend payments (based on profit for the period)	> 30%
Administration costs as a percentage of revenue	< 28%

The Wacker Group is therefore on a sustained growth path. Our aim is to consolidate our strong market position and continue improving our sales and earnings. We intend this growth to be largely organic, but will also consider strategic acquisitions where these enhance our product portfolio to the benefit of our customers and increase our opportunities for international expansion. We aim to further increase our sales and earnings in fiscal 2008 – the first full year for the future Wacker Neuson SE, in which integration and implementing market penetration measures will be top priorities. With the merger behind us, we anticipate that sales will break the billion-euro boundary for the first time this year.

Planned investments (extract)

in € million	2008
Expansion of rental business in Central and Eastern Europe	33.0
Construction of new research and development plant in Munich, Germany	7.0
Construction of new production plant for Kramer Werke in Pfullendorf, Germany	20.0
Investments in process improvements, production, logistics	35.3
Construction of new production plant for Ground Heaters, Inc. in Norton Shores, USA	1.4

Ongoing high investment planned

We intend to continue investing proceeds from the IPO to drive growth across our regions and business segments. In fiscal 2008, the Group is planning to invest around EUR 100 million. New hires are also envisaged, particularly in the sales and service areas.

The Wacker Group is in a strong financial position, so we are not planning any major financing measures. We expect cash flow from operating activities to reach approximately EUR 113 million in fiscal 2008, and anticipate that we will be able to finance our planned investments from current cash flow.

Sustainable dividend policy

At the Annual General Meeting on June 3, 2008 in Munich, Germany, we propose to rename the Group Wacker Neuson SE and change its legal form from a German stock corporation (Aktiengesellschaft) to a European company (Societas Europea). Consistency remains a priority for our dividend policy over the coming years and we intend to go on paying out at least 30 percent of annual net income, ensuring our shareholders continue to reap the rewards of the Wacker Group's strong performance.

Summary forecast

Prospects for the Wacker Group are promising for the coming years, and we are confident that we can capitalize on our market opportunities. We aim to go on increasing sales and earnings, boosting the company's equity value. To achieve this, process optimization will remain a major focus.

We anticipate annual sales growth of between 5 and 10 percent over the next few years, with profit before interest, tax, depreciation and amortization (EBITDA) reaching at least 17 percent of Group sales.

Munich, March 31, 2008

Executive Board

Dr. Ing. Georg Sick
(CEO and President)

Martin Lehner
(Deputy CEO)

Günther C. Binder

Richard Mayer

Werner Schwind

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Income Statement

For the period from January 1 through December 31

in € K	Notes	Jan. 1–Dec. 31, 2007 ¹	Jan. 1–Dec. 31, 2006
Revenue	(1)	742,062	619,277
Cost of sales		- 459,530	- 363,544
Gross profit		282,532	255,733
Sales and service expenses		- 140,090	- 123,919
Research and development expenses		- 20,810	- 16,090
General administrative expenses		- 48,289	- 45,333
Other income	(2)	8,421	9,705
Other expenses	(4)	- 2,859	- 3,434
Profit before interest and tax (EBIT)		78,905	76,662
Financial result	(5)	- 660	- 509
Profit before tax (EBT)		78,245	76,153
Taxes on income	(6)	- 24,142	- 27,605
Profit for the period before minority interests		54,103	48,548
Minority interests		23	0
Profit for the period		54,126	48,548
Earnings per share in euros (diluted and undiluted)	(7)	1.10	1.19

¹ With PPA = Purchase price allocation. Purchase price allocation describes the process where purchase costs resulting from acquisitions are allocated to individually acquired assets, liabilities and contingent liabilities, which are measured at fair value. Further information on pages 178–179.

Balance Sheet

Balance at December 31

in € K	Notes	Dec. 31, 2007	Dec. 31, 2006
Assets			
Property, plant and equipment	(8)	221,869	147,526
Investment property	(9)	2,105	38
Goodwill	(10)	325,676	36,837
Intangible assets	(10)	100,220	32,147
Other investments	(11)	1,649	0
Deferred taxes	(6)	10,994	6,885
Other non-current assets	(11)	34,523	5,797
Total non-current assets		697,036	229,230
Inventories	(12)	175,130	100,168
Trade receivables	(13)	159,477	98,534
Marketable securities	(14)	88,656	141
Current tax receivables		3,492	2,977
Other current assets	(15)	13,903	7,522
Cash and cash equivalents	(16)	76,816	36,441
Total current assets		517,474	245,783
Total assets		1,214,510	475,013

in € K	Notes	Dec. 31, 2007	Dec. 31, 2006
Equity and liabilities			
Subscribed capital	(17)	70,140	43,500
Other reserves	(17)	586,186	51,305
Treasury shares	(17)	0	- 36,691
Retained earnings	(17)	254,113	224,260
Equity before minority interests		910,439	282,374
Minority interests		2,280	0
Total equity		912,719	282,374
Long-term borrowings	(20)	44,219	60,802
Deferred taxes	(6)	33,724	16,482
Long-term provisions	(18)(19)	29,200	12,821
Total non-current liabilities		107,143	90,105
Trade payables	(21)	63,084	40,073
Short-term borrowings from banks	(20)	72,103	13,342
Current portion of long-term borrowings	(20)	6,073	7,566
Short-term provisions	(19)	9,324	8,797
Current tax payable		1,366	1,207
Other current liabilities	(22)	42,698	31,549
Total current liabilities		194,648	102,534
Total liabilities		1,214,510	475,013

Cash Flow Statement

For the period from January 1 through December 31

in € K	Jan. 1–Dec. 31, 2007	Jan. 1–Dec. 31, 2006
EBT	78,245	76,153
Depreciation and amortization	38,083	23,561
Other major non-cash income	- 1,640	0
Foreign exchange result	- 8,139	- 7,883
Gains/losses from sale of intangible assets and property, plant and equipment	48	- 1,335
Book losses from the disposal of rental equipment	3,423	1,384
Gains/losses from sale of investments and marketable securities	- 93	313
Investment income	- 6,995	- 2,903
Interest expense	7,655	3,412
Changes in inventories	- 14,879	1,135
Changes in trade receivables and other assets	4,798	- 15,039
Changes in provisions	- 503	- 3,679
Changes in trade payables and other liabilities	- 3,196	6,981
Interest paid	- 7,854	- 3,212
Income tax paid	- 33,973	- 29,789
Cash flow from operating activities	54,980	49,099
Purchase of property, plant and equipment	- 81,571	- 31,425
Purchase of intangible assets	- 2,469	- 435
Proceeds from the sale of property, plant and equipment and intangible assets	895	3,425
Purchase of marketable securities	- 122,078	0
Proceeds received on the sale of marketable securities	46,987	0
Change in consolidation structure	10,572	- 15,112
Interest received	5,910	1,908
Cash flow from investing activities	- 141,754	- 41,639
Issue of new shares	165,000	0
Purchase of treasury shares	0	- 25,691
Costs of procuring capital	- 5,582	0
Dividends	- 24,273	- 15,621
Proceeds from long-term borrowings	12,183	61,965
Repayment of long-term borrowings	- 50,606	- 43,245
Payment of finance lease liabilities	- 306	- 396
Cash flow from financing activities	96,416	- 22,988
Increase/decrease in cash and cash equivalents	9,642	- 15,528
Effect of exchange rates on cash and cash equivalents	1,106	- 1,806
Change in cash and cash equivalents	10,748	- 17,334
Cash and cash equivalents at beginning of period¹	28,044	45,378
Cash and cash equivalents at end of period¹	38,792	28,044

¹ Borrowings from banks from the Group's cash pool accounts are netted.

Statement of Changes in Equity

Balance at December 31

in € K	Sub- scribed capital	Capital reserves	Exchange differ- ences	Other neutral changes	Retained earnings	Treasury shares	Equity before minority interests	Minority interests	Total equity
Balance at December 31, 2005	43,500	72,319	- 8,073	191	192,924	- 11,000	289,861	0	289,861
Exchange differences	0	0	- 14,263	0	0	0	- 14,263	0	- 14,263
Other neutral changes	0	0	0	310	0	0	310	0	310
Subtotal							- 13,953	0	- 13,953
Profit for the period	0	0	0	0	48,548	0	48,548	0	48,548
Total profit for the period							34,595	0	34,595
Dividends	0	0	0	0	- 15,621	0	- 15,621	0	- 15,621
Purchase of treasury shares	0	0	0	0	0	- 25,691	- 25,691	0	- 25,691
Change in consolidation structure	0	11	810	0	- 1,591	0	- 770	0	- 770
Balance at December 31, 2006	43,500	72,330	- 21,526	501	224,260	- 36,691	282,374	0	282,374
Exchange differences	0	0	- 11,319	0	0	0	- 11,319	0	- 11,319
Other neutral changes	0	0	0	80	0	0	80	0	80
Subtotal							- 11,239	0	- 11,239
Profit for the period	0	0	0	0	54,126	0	54,126	- 23	54,103
Total profit for the period							42,887	- 23	42,864
Dividends	0	0	0	0	- 24,273	0	- 24,273	0	- 24,273
Issue of new shares (IPO)	7,500	157,500	0	0	0	0	165,000	0	165,000
Contribution of Neuson Kramer	19,140	394,202	0	0	0	36,691	450,033	2,303	452,336
Costs of procuring capital	0	- 5,582	0	0	0	0	- 5,582	0	- 5,582
Balance at December 31, 2007	70,140	618,450	- 32,845	581	254,113	0	910,439	2,280	912,719

Segmentation

For the period from January 1 through December 31

Primary segmentation (geographical segments)

in € K	Europe	Americas	Asia	Consolidation	Group
2007					
Segment revenue					
Total external sales	694,179	282,535	42,861		
Less intrasegment sales	- 142,771	- 32,756	- 1,838		
	551,408	249,779	41,023		
Intersegment sales	- 30,750	- 53,724	- 15,674		
Total	520,658	196,055	25,349	0	742,062
Segment result (EBIT)					
From continuing business segments	50,884	25,761	3,105		
From discontinued business segments	0	0	0		
Total	50,884	25,761	3,105	- 845	78,905
Other information					
Investments	471,045	10,333	2,989	0	484,367
Depreciation and amortization	32,686	4,833	562	0	38,081
Non-cash expenses	2,979	1,697	322	0	4,998
Balance sheet					
Segment assets	862,144	126,602	20,934	- 13,034	996,646
Segment liabilities	108,848	22,234	3,030	- 628	133,484

in € K	Europe	Americas	Asia	Consolidation	Group
2006					
Segment revenue					
Total external sales	539,456	283,455	38,349		
Less intrasegment sales	- 117,160	- 27,419	- 2,775		
	422,296	256,036	35,574		
Intersegment sales	- 31,233	- 51,069	- 12,327		
Total	391,063	204,967	23,247	0	619,277
Segment result (EBIT)					
From continuing business segments	43,955	31,731	1,669		
From discontinued business segments	0	0	0		
Total	43,955	31,731	1,669	- 693	76,662
Other information					
Investments	38,137	17,941	1,380	0	57,458
Depreciation and amortization	17,931	5,102	528	0	23,561
Non-cash expenses	5,162	1,900	219	0	7,281
Balance sheet					
Segment assets	296,560	119,683	21,193	- 14,664	422,772
Segment liabilities	63,686	23,620	2,115	- 26	89,395

Secondary segmentation (business segments)

in € K	2007	2006
Segment revenue from external customers		
Light Equipment	408,170	391,417
Compact Equipment	179,480	88,220
Services	159,657	144,655
	747,307	624,292
Less cash discounts	- 5,245	- 5,015
Total	742,062	619,277

Notes to the Consolidated Financial Statements

General information on accounting standards

Wacker Construction Equipment AG has its headquarters in Munich, Germany, at Preussenstrasse 41, and is registered in the local German Commercial Register in Munich ("Handelsregister München") under Section B, No. 144236.

Trading in Wacker Construction Equipment AG shares commenced on May 2007 in the Prime Standard segment of the German stock exchange on the Regulated Market. Wacker Construction Equipment AG has been listed in the SDAX since September 2007.

The financial statements for fiscal 2007 (which include previous year figures) were prepared 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 Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU, and the additional requirements of the German Commercial Code (HGB) set forth in Section 315a Paragraph 1. All valid and binding standards for fiscal 2007 have been applied and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group.

IFRS 7 (Financial Instruments: Disclosures) was issued in January 2006 by the IASB and is mandatory for reporting periods starting on or after January 1, 2007. These new disclosure requirements for financial instruments are applied to the consolidated financial statements for 2007 and the comparative period 2006.

IFRIC 11 (Group and Treasury Share Transactions) is mandatory for fiscal years starting on or after March 1, 2007. The Group has applied this new regulation voluntarily in the 2007 consolidated financial statements. This did not result in any changes to the consolidated financial statements.

IFRS 8 (Operating Segments) was issued on November 30, 2006, by the IASB and adopted by the EU on November 21, 2007, and will be mandatory for fiscal years starting on or after January 1, 2009. IFRS 8 regulates financial and descriptive reporting of information relating to segments required to disclose

information on their operations. In these Consolidated Financial Statements, the Group reports its segments in accordance with IAS 14. These are structured geographically according to the headquarters of each affiliate. This approach reflects the company's management structures and represents the risk and profit structure of its operations worldwide. Application of IFRS 8 (which the Group will commence after January 1, 2009) would not result in any fundamental changes in segment structure based on affiliate headquarters, but would result in additional explanations and notes.

The Consolidated Financial Statements of the Group comprise the consolidated income statement, the consolidated balance sheet, the notes to the Consolidated Financial Statements, the consolidated cash flow statement, as well as the consolidated statement of changes in equity. In addition, a Group Management Report was prepared in accordance with Section 315a of the German Commercial Code.

The Consolidated Financial Statements have been prepared in euros. The figures are presented in thousand euros (EUR K), rounded to the nearest thousand, unless otherwise stated.

The consolidated income statement was prepared in the "cost-of-sales" format.

Line of business

Founded in 1848, today Wacker Construction Equipment AG is a leading global manufacturer of high-quality light construction equipment (weighing up to approximately 3 tons) and compact construction equipment (weighing up to approximately 14 tons). The Wacker Group provides a comprehensive one-stop offering, extending from development and production through sales and rentals to repairs and service. The entire product portfolio comprises over 300 product groups. Following the merger with NEUSON KRAMER Baumaschinen AG and its affiliates in 2007, the new consolidated Group will start offering its products and services under the new main brand "Wacker Neuson" in 2008. The company will also continue to market some compact equipment under the "WEIDEMANN" and "KramerAllrad" brands in the future. Furthermore, the company CLAAS Global Sales GmbH, which has an indirect 5.1 percent stake in Kramer-Werke GmbH, distributes telescopic loaders developed and manufactured by Kramer in the agricultural industry under the brand "CLAAS". This is due to a supply contract concluded with Kramer-Werke GmbH.

Closing date

The closing date for all companies included in the Consolidated Financial Statements is December 31 of the respective year. The current accounting period is January 1, 2007 through December 31, 2007.

Consolidation structure

In addition to the parent company, Wacker Construction Equipment AG, the Consolidated Financial Statements of the Wacker Group include the following companies. For each of these companies Wacker Construction Equipment AG holds 100 percent of the voting rights, either directly or by proxy:

Company Name	City	Country	Region
NEUSON KRAMER Baumaschinen AG	Leonding	Austria	Europe
Drillfix AG	Brugg	Switzerland	Europe
Nippon Wacker Co., Ltd.	Tokyo	Japan	Asia
OOO Wacker Constructions Equipment GUS	Moscow	Russia	Europe
P. Wacker Danmark A/S	Karlsunde	Denmark	Europe
Wacker Australia PTY. Limited	Melbourne	Australia	Asia
Wacker Corporation	Menomonee Falls	USA	Americas
Wacker Machinery (HK) Limited	Hongkong	China	Asia
Wacker stavební stroje, spol. s.r.o.	Prague	Czech Republic	Europe
Wacker Maquinas (Chile) Limitada	Santiago	Chile	Americas
Wacker Canada Ltd.	Mississauga	Canada	Americas
Wacker Iberica Construction Equipment S.A.	Madrid	Spain	Europe
Wacker-Koneet Finland Oy	Kerava	Finland	Europe
Wacker France S.A.	Paris	France	Europe
Wacker (Great Britain) Limited	London	Great Britain	Europe
Wacker-Baumaschinen GmbH	Vienna	Austria	Europe
Wacker Máquinas Ltda.	Jundiaí, SP	Brazil	Americas
Wacker Macchinari Italia S.r.l.	Bologna	Italy	Europe
Wacker Maquinaria, S.A. de C.V.	Mexico City	Mexico	Americas
Wacker Machinery Philippines, Inc.	Manila	Philippines	Asia
Wacker Benelux B.V.	Amersfoort	The Netherlands	Europe
Wacker Maskiner Norge AS	Oslo	Norway	Europe
Wacker Machinery (N.Z.) Limited	Auckland	New Zealand	Asia
Wacker Maszyny Budowlane Sp. z o.o.	Warsaw	Poland	Europe
Wacker South Africa (Proprietary) Limited	Johannesburg	South Africa	Europe
Wacker Bygghmaskiner AB	Malmö	Sweden	Europe
Wacker Baumaschinen AG	Zurich	Switzerland	Europe
Wacker Machinery (Thailand) Company Limited	Bangkok	Thailand	Asia
Wacker Makinalari Limited Şirketi	Istanbul	Turkey	Europe
Wacker Építőgépek Hungária Kft.	Budapest	Hungary	Europe
Wacker Ireland Limited	Dublin	Ireland	Europe
Weidemann GmbH	Diemelsee-Flechtdorf	Germany	Europe

NEUSON KRAMER Baumaschinen AG results from October 1, 2007 through December 31, 2007 are included in the consolidated earnings statement. The consolidation structure of NEUSON KRAMER Baumaschinen AG, parent company of the Neuson Kramer subgroup (Europe region), comprises the following companies (level of indirect or direct interest shown):

- NEUSON KRAMER Baumaschinen AG (parent company)
- NEUSON Baumaschinen GmbH (100 percent)
- NEUSON Finance GmbH (100 percent)
- NEUSON KRAMER Finance Immorent GmbH (98 percent)
- Stambach Baumaschinen GesmbH (100 percent)
- Neuson Ltd. (100 percent)
- Kramer-Werke GmbH (95 percent)
- STG Stahl- und Maschinenbautechnik Gutmadingen GmbH (95 percent)
- PADEM Grundstücks-Vermietungsgesellschaft mbH & Co Objekt Gutmadingen KG (90 percent)

The following companies are not included in the consolidation structure:

- Kramer Allrad of North of America Inc. (95 percent)
- Kramer Allrad France S.A.R.L. (95 percent)
- Haus + Wohnen Immobilien GmbH (95 percent)
- Kramer Wohnungsbau GmbH (95 percent)
- Prose d.o.o. (100 percent)
- NK Administration s.r.l. (100 percent)
- NK Administration Ltd. (100 percent)

Furthermore, the Consolidated Financial Statements include EQUIPRO Inc., Germantown, USA, which is a wholly-owned subsidiary of the Wacker Corporation founded on March 27, 2003. Likewise, Wacker Machinery Trading (Shenzhen) Ltd. Co., Shenzhen, China, was included as a wholly owned subsidiary of Wacker Machinery (H.K.) Limited, Hong Kong, China. Ground Heaters, Inc., Spring Lake, Michigan, USA, a wholly owned subsidiary of the Wacker Corporation was also included.

Consolidation principles

The Consolidated Financial Statements are based on the annual financial statements of the companies included, which were prepared in accordance with IFRS.

The annual financial statements of the consolidated domestic and foreign companies were prepared according to the uniform accounting and valuation methods of Wacker Construction Equipment AG.

Equity is consolidated according to the acquisition method. For the first consolidation of subsidiaries acquired after January 1, 2003, all identifiable assets, liabilities and contingent liabilities of the acquired companies are recognized at fair values.

After reevaluation of all hidden assets and liabilities of companies acquired after January 1, 2003, any credit balances remaining are capitalized as goodwill resulting from the equity consolidation and are subjected to an annual impairment test. Any debit differences are booked in accordance with IFRS 3 to unappropriated retained earnings so they have no impact on the financial result.

Intercompany receivables and payables as well as purchases and sales between consolidated Group companies are eliminated. Group inventories and fixed assets are adjusted to reflect intercompany profits.

Consolidation transactions affecting income are subject to deferred tax. Deferred tax assets and deferred tax liabilities are set off against each other, provided that the term of payment and the creditors are the same.

Exchange differences

The annual financial statements of the foreign subsidiaries have been translated into euros according to the concept of the functional currency. The functional currency is taken to refer to the relevant national currency. Thus, assets and liabilities are translated at the spot rates of exchange effective at the balance sheet date, whereas the items of the income statement are translated at the average annual rates of exchange.

Exchange differences arising from the application of different exchange rates for balance sheet and income statement are recorded directly as a separate item of equity so they have no impact on the financial result.

1 euro equals		2007	2006	2007	2006
		Annual Average Rates		Rates at Closing Date	
Australia	AUD	1.6361	1.6679	1.6775	1.6681
Brazil	BRL	2.6604	2.7455	2.6205	2.8138
Canada	CAD	1.4651	1.4259	1.4440	1.5294
Chile	CLP	719.4833	670.7750	732.4000	704.4000
Czech Republic	CZK	27.6900	28.2317	26.5750	27.4350
Denmark	DKK	7.4511	7.4591	7.4581	7.4558
Great Britain	GBP	0.6873	0.6819	0.7346	0.6714
Hong Kong	HKD	10.7562	9.8114	11.4760	10.2484
Hungary	HUF	251.3558	264.1650	252.3250	251.6750
Japan	JPY	162.0433	146.7517	165.0000	156.6500
Mexico	MXN	15.0650	13.7850	16.0700	14.3200
New Zealand	NZD	1.8621	1.9434	1.9003	1.8740
Norway	NOK	8.0027	8.0461	7.9650	8.2400
Philippines	USD	1.3790	1.2631	1.4716	1.3181
Poland	PLN	3.7834	3.9074	3.5928	3.8413
Russia	RUB	34.8396	33.9833	35.9950	34.2400
South Africa	ZAR	9.6862	8.6303	10.0300	9.2150
Sweden	SEK	9.2628	9.2523	9.4350	9.0430
Switzerland	CHF	1.6461	1.5768	1.6557	1.6080
Thailand	THB	44.3608	47.5250	43.8250	46.7650
Turkey	TRY	1.7826	1.8171	1.7135	1.8775
USA	USD	1.3790	1.2631	1.4716	1.3181

Concerning exchange differences without effects on profits, please refer to the statement of changes in equity.

Accounting and valuation methods

Realization of profits

For contracts for the sales of goods, profits are realized when the goods have been delivered (passing of risk), whereas profits arising from the provision of services are realized on completion of the contracted work. Operating expenses are recognized when the service has been rendered, or at the date the costs are incurred. Interest income is accrued based on the outstanding principal of the loan and the applicable interest rates. The borrowing costs are recognized in the period in which they are incurred according to the benchmark method.

Property, plant, and equipment

In accordance with IAS 16, tangible assets are valued at acquisition costs less scheduled straight-line depreciation. For a limited number of existing items, the declining balance method for depreciation was employed.

The individual tangible asset groups are depreciated over the following useful lives, applying the straight-line depreciation method:

in years	Useful life
Land and buildings	5 – 66
Machinery and equipment	2 – 12
Office and other equipment	3 – 15

Investment property

Land and buildings held for the purpose of generating rental revenue are disclosed at net book value, whereby the respective useful life employed for depreciation (straight-line, according to pro rata temporis) corresponds to fixed assets in use.

Goodwill/acquisitions

Acquisitions are reported according to the acquisition method. Consequently, income of the acquired company is included in the Consolidated Financial Statements of the Group starting from the date of acquisition. For foreign companies that are acquired or founded, related acquisition costs are converted to euros at the spot rate effective at the date of purchase.

The disclosed goodwill undergoes an impairment value test at the end of the accounting period in order to verify the value of the amount reported on the balance sheet. In accordance with IFRS 3, the goodwill is not subject to scheduled straight-line amortization.

Intangible assets

Other intangible assets are capitalized at acquisition cost and amortized on a straight-line basis assuming a projected useful life of three years for software or the individual lifetimes of the respective patents, licenses, technologies and order volumes. Intangible assets having an unlimited useful life are not subject to amortization but are tested for impairment at least once a year.

Financing costs are not capitalized.

Leasing

When the Group is the lessee

Leasing transactions regarding tangible assets in which companies of the Wacker Group as a lessee bear all material risks and rewards from the use of the leased object are treated as finance leases according to IAS 17. In such cases, the lessee recognizes the leased object as an asset in the balance sheet and the payment obligation of future lease installments is disclosed as a liability item. Treatment as a finance lease leads to a depreciation expense on the income statement, dependent upon the useful life of the leased object, and the related interest expense.

All other leasing contracts are classified as operating leases. In such cases, the leasing installments or the rental payments are shown as an expense in the income statement.

When the Group is the lessor

Leasing contracts are classified as finance leases if the lease agreement transfers all material risks and rewards associated with the leased object to the lessee. All other leasing contracts are classified as operating leases. Amounts to be paid by lessees resulting from finance leases are entered as receivables in the amount of the net investment value ensuing from the leasing contract. Income from finance lease contracts is distributed across accounting periods in such a way that that regular periodic interest is recognized on the outstanding net investment value resulting from leasing contracts. Rental income from operating lease contracts is distributed and reflected in the balance sheet on a straight-line basis over the duration of the relevant leasing contract. Initial direct costs attributable to the negotiation and conclusion of a leasing contract are to be allocated to the book value of the leased asset and distributed on a straight-line basis over the duration of the leasing contract.

Inventories

Inventories of work in process and finished products, as well as raw materials and supplies, are valued at their acquisition and manufacturing costs respectively, in accordance with IAS 2. As far as the acquisition and manufacturing costs of inventories are above fair value, they will be written down to net realizable value at the balance sheet date. The net realizable value is the estimated sales price under normal business conditions, less the estimated manufacturing and sales costs. To the extent that 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 to purchase prices are deducted.

Manufacturing costs include all expenses which are allocable directly or indirectly to the manufacturing process. Borrowing costs are not included in manufacturing costs.

Acquisition and manufacturing costs for inventories were, for the main part, determined assuming that those assets which were acquired first will also be consumed first (FIFO method). The moving average cost procedure is also used to simplify the valuation procedure.

Production orders are not included.

Financial instruments and hedging transactions

Derivative financial instruments

The Wacker Group utilizes financial instruments such as foreign exchange forward contracts and options as well as interest rate swaps exclusively for hedging purposes and for the minimization of risks. Financial instruments without a corresponding underlying transaction are not carried out.

Derivative financial instruments are capitalized initially at acquisition cost when the contract is entered into. Subsequently, they are valued at fair value as of the closing date.

Derivative financial instruments are utilized to hedge against interest rate risks and raw material price risks. The goal of hedging activities is to reduce risks arising from variable interest rate borrowing and fluctuating raw material prices. Their maturities are termed to match the terms of the corresponding underlying transactions, and range from several days to several years.

The fair value of derivative financial instruments is the price at which one party would assume the rights and/or obligations from another party. The fair values are based on market information available at the balance sheet date applying valuation methods customary in the market as follows:

- Interest rate contracts are valued by discounting the expected cash flow over the remaining maturity, whereby current interest rate curves are taken as the basis
- Contracts for hedging risks against price fluctuation in natural gas prices are valued based on current forward natural gas contracts

Recognition of gains and losses from derivative financial instruments is subject to the requirements for hedge accounting asset forth in IAS 39. To this end, upon initiation of such a transaction, both the hedging instrument and the underlying transaction are compared and the goals for risk management and the underlying strategy are documented. The Group verifies initially and continually whether or not the derivatives in a hedging relationship will effectively compensate for the changes in cash flow of the underlying transactions.

The financial instruments employed by the Wacker Group are treated as cash flow hedges in the balance sheet where changes in fair value are recorded directly in equity.

Non-derivative financial instruments

Non-derivative financial instruments as disclosed on the assets side of the balance sheet comprise investments, marketable securities, loans and receivables. These items are valued either at amortized costs or at fair value (marketable securities). Assets are recognized in the balance sheet for the first time when a company of Wacker Construction Equipment AG becomes a party to a contract. Assets are derecognized upon transfer of ownership or expiration of contractual rights to cash flows.

The carrying amounts of assets valued at amortized cost are verified if there are any indications that the book value exceeds the useful value or the net realizable value (impairment test). Should the book value exceed the net realizable value, the asset is written down.

Investments and loans are recognized at acquisition cost, less, if necessary, amortization. If the reason for amortization no longer holds true, write-ups are made. Long-term loans on which no interest or below-market interest rates are charged are discounted at the interest rate applicable for risk-free securities.

Trade receivables and other receivables are recognized at their nominal values less allowance for doubtful accounts based on the probable default risk. Long-term receivables are discounted at standard interest rates.

Credit balances with financial institutions are recognized at their nominal values. Liabilities are valued at their nominal values or at their higher repayment amounts effective at the closing date. Long-term liabilities for which either no interest payments or below-market interest payments are to be made and the amounts of which fall due after more than one year are discounted as of the balance sheet date. Financial liabilities are recognized in the balance sheet for the first time when a company of Wacker Construction Equipment AG becomes a party to a contract. Financial liabilities are derecognized when paid.

Financial instruments are contracts which include a payment claim. In accordance with the regulations of IAS 32, they comprise non-derivative financial instruments such as trade receivables and trade payables, or other receivables and payables resulting from financing transactions. They also include derivative financial instruments which are employed to hedge against currency risks, interest risks or price fluctuations.

Financial assets are recognized as of the day of performance.

Research and development

Research costs are expensed in the consolidated income statement in the period in which they are incurred. Development costs are capitalized provided that the total development costs fulfill IAS 38.57 requirements. These capitalized development costs are amortized over a period of four to five years. Amortization is taken using the straight-line method.

Marketable securities

Marketable securities are recognized at fair value through profit or loss if they are held for trading or designated at fair value through profit or loss. Marketable securities are classified under the category "held for trading" if they were primarily obtained for the purpose of sale in the short term. When first recognized, marketable securities are designated at fair value through profit or loss if they are part of group of financial assets that are managed under a documented risk management or investment strategy and if their performance is evaluated based on their current fair value, and information about this portfolio's performance is distributed internally.

Trade receivables and assets

Both trade receivables and other assets are principally valued at amortized costs. They are, as a rule, valued at nominal value prior to allowances for uncollectible accounts, and are classified in the category "loans and receivables", provided they are financial instruments. Allowances are recognized for the full amount for those receivables and other current assets for which there is a high probability of default. Furthermore, general credit, interest and cash discount risks are recognized.

Cash and cash equivalents

Cash and cash equivalents belong to the category "loans and receivables" and are recognized at current value, which for liquid funds in euro is equivalent to the nominal value.

Pensions and similar obligations

Provisions for pensions and similar obligations from defined benefit plans are recognized following the Projected Unit Credit Method, taking into consideration future adjustments in remuneration payments and in pensions in compliance with the regulations as set forth in IAS 19.

Pension obligations in Germany are calculated using the demographic tables for 2005 G developed by Prof. Klaus Heubeck.

Pension obligations abroad are calculated using accounting principles and parameters specific to the corresponding country.

Provisions for pensions as disclosed in the balance sheet are from the value of the actual pension obligations less the fair value of plan assets as of the balance sheet date. Actuarial gains and losses are recognized according to the 10 percent corridor rule.

Service cost for vested rights to future pension payments results from the changes in the present value of the obligation.

The interest portion of the increase in pension provisions is, for the main part, disclosed under financial results.

Payments under defined contribution plans are recognized directly as an expense.

Other provisions

Other provisions are recognized in accordance with IAS 37 when a present legal or constructive obligation as a result of a past event exists, when it is probable that an outflow of resources with economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. Other provisions are made for all recognizable obligations. Valuation and recognition are based on the best estimate of the amounts involved.

Other provisions are set up for all recognizable risks as well as for all contingent liabilities in the amount of the probable occurrence. Long-term provisions, for the main part, accumulate interest at a rate of 4.5 percent or 5.5 percent per annum.

Financial liabilities

Financial liabilities are recognized at amortized cost by applying the effective interest method and are disclosed under financial liabilities recognized at amortized cost.

Deferred tax

With respect to temporary differences between valuations for tax purposes and balance sheet purposes, for consolidation transactions affecting income as well as for tax loss carry-forwards, deferred tax assets and liabilities are recognized.

Deferred tax assets concerning tax loss carry-forwards have been recognized only to the extent to which reductions are likely to arise. There was no deferred tax recognized for loss carry-forwards in the current year.

Deferred tax is calculated at the tax rate valid or approved at the balance sheet date of the company likely to be affected by the deferral.

Material discretionary decisions, estimates, and assumptions

In preparing the financial statements, management is required to make discretionary decisions, estimates and assumptions for the amounts recognized under receivables, liabilities and provisions, and the reporting of contingent liabilities as well as reported income and expenses. The actual results can deviate from this.

Explanatory comments on the income statement

1 Sales

With respect to the presentation and composition of sales by geographic regions and by business segments, please refer to the segment report.

2 Other income

in € K	2007	2006
Foreign exchange gains	2,727	4,600
Proceeds from sale of property, plant and equipment	403	1,858
Insurance reimbursements	370	160
Recovery of receivables written off	75	89
Rental income on investment property	103	16
Other income	4,743	2,982
Total	8,421	9,705

Income from previous years generated by Wacker affiliate Weidemann GmbH and amounting to EUR K 1,721 is included in other income for the current fiscal year. This amount originates from the settlement of a legal dispute with the company's previous owner. Other income also includes, for the most part, income from subsidies in a German program for part-time work for employees getting close to the retirement age and onwards billing.

3 Personnel expenses

The expenses for pensions include the expense for pension benefits without the interest portion of the additions to provisions for pensions which is recognized under financial results.

Personnel expenses are composed as follows:

in € K	2007	2006
Wages and salaries	130,869	120,711
Social security contributions	23,414	17,582
Other personnel costs	9,138	8,013
Expenses for pensions	4,351	2,232
Total	167,772	148,538

The item wages and salaries includes redundancy payments to the following extent:

in € K	2007	2006
Redundancy payments	935	340

The average number of employees is as follows:

	2007	2006
Management	44	39
Administration	294	234
Sales	818	700
Service	630	534
Logistics	270	190
Production and technology	1,435	984
Other	162	111
Total	3,653	2,792

4 Other operating expenses

in € K	2007	2006
Losses on the disposal of property, plant and equipment	371	522
Realized exchange losses	2,268	2,592
Other expenses	220	320
Total	2,859	3,434

5 Financial result

in € K	2007	2006
Interest and similar income	5,618	1,889
Unrealized gains and losses	505	0
Income on disposals of financial assets	1,368	1,014
Interest and similar expenses	- 8,151	- 3,412
Total	- 660	- 509

Interest expenses include expenses for interest resulting from finance lease contracts in the amount of EUR K 72 (2006: EUR K 24). Interest income from finance leases in the amount of EUR K 640 (2006: EUR K 0) is included in interest and similar income.

Profit/loss arising from changes in the fair value of derivative financial instruments as part of cash flow hedging was recognized under equity during fiscal year with no effect on income.

6 Taxes on income

The expense for taxes on income is composed of as follows:

in € K	2007	2006
Current tax expense	29,073	29,095
Deferred tax expense	- 4,931	- 1,490
Total	24,142	27,605

Reconciliation of calculated tax to actual tax expense:

in € K	2007	2006
EBT	78,245	76,153
Tax at the applicable tax rate 38.29%	29,960	29,159
Change in tax rate (Germany)	- 4,660	0
Variance in tax rates	- 388	- 3,150
Tax effects of non-deductible expenses and tax-exempt income	1,063	707
Other	- 1,833	889
Total	24,142	27,605

The calculated taxes on income result by applying the Group's unified tax rate of 38.29 percent to profit before tax (EBT).

The tax rate for the parent company is based on a tax rate of 16.19 percent for trade tax on income (rate of assessment: 386.36 percent), a 25 percent corporate income tax rate and a solidarity surcharge amounting to 5.5 percent. It is calculated by taking into account the deductibility of trade tax on income for the assessment concerning corporate income tax.

The future tax rate was used for deferred taxes due to the German corporate tax reform. This resulted in a reevaluation of deferred tax. In the case of the parent company, including the Neuson Kramer subgroup, this resulted in income totaling EUR 4.7 million in fiscal 2007. In the future, we expect a corporate income tax rate of 15 percent and a solidarity surcharge of 5.5 percent. Trade tax on income will no longer be deductible for the assessment concerning corporate income tax. Trade tax will be set at a uniform 3.5 percent. We therefore expect a Group-wide tax rate of 29.46 percent for fiscal 2008.

Deferred taxes from derivative financial instruments and marketable securities held for the purpose of sale in the amount of EUR K 240 (2006: EUR K 309) were recognized directly in equity.

Deferred tax assets and liabilities are allocated to the following balance sheet items:

in € K	2007	2006
Deferred tax assets		
Provisions for pensions	1,063	154
Property, plant and equipment	1,827	847
Loss carry-forwards	265	145
Inventories	6,580	5,062
Other	809	344
Liabilities	359	237
Receivables	91	96
Total	10,994	6,885
Deferred tax liabilities		
Other intangible assets	- 24,797	- 11,831
Property, plant and equipment	- 7,762	- 4,489
Inventories	- 2,446	- 1,706
Provisions for pensions	1,144	1,056
Other	137	488
Total	- 33,724	- 16,482

Actual income tax receivables as of the balance sheet date were balanced at EUR K 2,126 (2006: EUR K 1,770).

Deferred tax recognized in the consolidated balance sheet arises from the deferred tax as booked by the individual companies. Deferred tax assets and liabilities were netted at the level of the individual company as appropriate. This netting is accounted for in the above table by the positive amounts under the heading deferred tax liabilities.

In 2006, a deferred tax claim in the amount of EUR K 581 was written down, as it has become unlikely that the claim will be realized. The tax losses not yet utilized for which no deferred tax claim was recognized in the balance sheet amount to EUR K 12,571 (2006: EUR K 12,708).

With respect to deferred tax assets, EUR K 241 (2005: EUR K 182) are allocable to individual companies which incurred losses in the current or prior reporting period. The reason for the capitalization lies in the improved earnings situation in the years following.

7 Earnings per share

	2007	2006
Profit for the period attributable to shareholders in € K	54,126	48,548
Weighted average number of shares outstanding during current period in thousand shares	49,249	40,830
Undiluted earnings per share in €	1.10	1.19
Diluted earnings per share in €	1.10	1.19

According to IAS 33, the earnings per share are the result of the division of earnings for the current period attributable to the shareholders of Wacker Construction Equipment AG by the weighted average number of shares outstanding.

Explanatory comments on the balance sheet

8 Property, plant and equipment

in € K	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account	Total
Acquisition costs					
Balance at January 1, 2007	116,380	147,476	52,844	9,453	326,153
Currency translation differences	- 2,474	- 3,770	- 1,128	- 84	- 7,456
Additions from change in consolidation structure	25,521	541	3,181	4,812	34,055
Additions	4,820	31,982	6,182	31,040	74,024
Retirements	- 116	- 25,314	- 7,011	- 140	- 32,581
Transfers	8,078	4,819	886	- 13,792	- 9
Balance at December 31, 2007	152,209	155,734	54,954	31,289	394,186
Accumulated depreciation					
Balance at January 1, 2007	46,506	90,520	41,601	0	178,627
Currency translation differences	- 861	- 2,802	- 889	0	- 4,552
Additions	3,167	18,865	4,498	0	26,530
Retirements	- 100	- 21,588	- 6,600	0	- 28,288
Transfers	0	0	0	0	0
Balance at December 31, 2007	48,712	84,995	38,610	0	172,317
Book value on December 31, 2006	69,874	56,956	11,243	9,453	147,526
Book value on December 31, 2007	103,497	70,739	16,344	31,289	221,869

in € K	Land and buildings	Machinery and equipment	Office and other equipment	Payments on account	Total
Acquisition costs					
Balance at January 1, 2006	117,527	135,418	57,515	3,075	313,535
Currency translation differences	- 3,228	- 4,129	- 1,563	- 1	- 8,921
Additions from change in consolidation structure	46	719	90	0	855
Additions	1,922	26,472	4,870	8,273	41,537
Retirements	- 1,993	- 12,792	- 8,124	- 33	- 22,942
Transfers	2,105	1,788	56	- 1,861	2,088
Balance at December 31, 2006	116,380	147,476	52,844	9,453	326,153
Accumulated depreciation					
Balance at January 1, 2006	44,097	89,961	46,894	0	180,952
Currency translation differences	- 866	- 3,026	- 1,216	0	- 5,108
Additions	3,253	14,844	3,646	0	21,743
Retirements	- 617	- 11,259	- 7,723	0	- 19,599
Transfers	639	0	0	0	639
Balance at December 31, 2006	46,506	90,520	41,601	0	178,627
Book value on December 31, 2005	73,430	45,457	10,621	3,075	132,583
Book value on December 31, 2006	69,874	56,956	11,243	9,453	147,526

Amounts recognized for land and buildings as well as office and other equipment include the book values of finance leasing contracts.

9 Investment properties

The table below shows the development of the investment properties during the years 2006 through 2007:

in € K	2007	2006
Acquisition costs		
Balance at January 1	38	2,138
Currency translation differences	- 3	0
Additions from change in consolidation structure	2,112	0
Additions	0	0
Retirements	0	0
Transfers	0	- 2,100
Balance at December 31	2,147	38
Accumulated depreciation		
Balance at January 1	0	629
Additions	42	10
Retirements	0	0
Transfers	0	- 639
Balance at December 31	42	0
Book value on January 1	38	1,509
Book value on December 31	2,105	38

In April 2006, Wacker South Africa (Prop.) Ltd. rented an undeveloped tract of its land in Florida, South Africa, to a third party. A five-year contract with an option to extend was concluded. An additional tract of developed land in Gutmadingen is now also disclosed as investment property as a result of the 2007 merger with the Neuson Kramer Group. This land is rented to a third party.

The property in South Africa is currently valued at EUR K 48. This amount was calculated based on official market prices. The current value of the developed property in Gutmadingen corresponds to the book value. This was calculated on the basis of the income accruing through continued tenancy. This investment property has a useful life of 17 years and is amortized using the straight-line method.

The profit derived from investment property is shown in the table below:

in € K	2007	2006
Rental income	103	23
Depreciation and amortization	- 42	- 10
Other expenses	- 134	- 5
Total	- 73	8

10 Intangible assets**a) Goodwill**

On October 1, 2007, Wacker Construction Equipment AG merged with the Neuson Kramer Group. Please refer to section 17) "Equity" of these notes for further information on the legal aspects of the merger and the number of shares issued. In total, 100 percent of the shares were purchased. The acquisition costs are determined by valuing each tranche of shares issued or transferred at the Xetra closing price on the date the capital increase by means of contributions in kind was entered in the Register of Companies. The fair value of the equity instruments issued amounted to EUR K 450,831.

The acquisition costs at December 31, 2007 were EUR K 451,665, including EUR K 834 incidental expenses. The breakdown of acquisition costs for the acquired net assets and goodwill is shown in the following table:

in € K	Book value after acquisition
Acquisition costs without assumption of liabilities	450,831
Incidental expenses	834
Purchase price	451,665
Fair value of acquired net assets	- 158,296
Net assets attributable to minority interests	612
Goodwill	293,981

The purchase price is allocated to the acquired assets and liabilities as at the date of acquisition as follows:

in € K	Book value prior to acquisition	Adjustment amount	Book value after acquisition
Property, plant and equipment	28,351	5,704	34,055
Investment property	2,112	0	2,112
Goodwill	3,139	290,842	293,981
Intangible assets – brand	0	42,838	42,838
Intangible assets – order volume	0	9,333	9,333
Intangible assets – technology	0	18,963	18,963
Intangible assets – other	4,244	0	4,244
Financial assets	1,570	- 94	1,476
Other non-current assets	21,887	0	21,887
Deferred taxes	3,307	0	3,307
Inventories	55,288	4,795	60,083
Other current assets (excluding liquid funds)	78,948	0	78,948
Marketable securities	11,866	0	11,866
Liquid funds	7,093	0	7,093
Financial liabilities	- 46,562	1,252	- 45,310
Deferred taxes	- 3,257	- 21,859	- 25,116
Provisions	- 18,735	- 576	- 19,311
Other liabilities	- 46,481	0	- 46,481
Minority interests	- 1,691	- 612	- 2,303
Purchase price	101,079	350,586	451,665
Assumed financial liabilities			38,217
Net of funds from acquisition			489,882

Goodwill includes the current value estimated in respect of expected synergies resulting from the acquisition of the company and its know-how. The information is not itemized in accordance with IAS 38 due to lack of control and separability.

The income statement for the merged companies was affected during the period under review by writing down or realizing hidden assets and liabilities as follows:

in € K	Hidden assets and liabilities Oct. 01, 2007	Of which the following are recognized in the income statement to Dec. 31, 2007
Property, plant and equipment	5,704	- 87
Goodwill	290,842	0
Intangible assets	71,134	- 8,814
Financial assets	- 94	0
Inventories	4,795	- 2,591
Financial liabilities	1,252	- 77
Deferred taxes	- 21,859	3,480
Provisions	- 576	0
Minority interests	- 612	0
	350,586	- 8,089

As of December 31, 2007, the expected useful lives and residual book values of acquired other intangible assets from the merger are as follows:

	Book value on Oct. 01, 2007 in € K	Book value on Dec. 31, 2007 in € K	Useful life
Order volume	9,333	1,309	< 1 year
Brand	42,838	42,838	indefinite
Technology	18,963	18,173	5.75 years
	71,134	62,320	

Wacker Construction Equipment AG does not own the “Neuson” logo. This is owned by the PIN Private Trust (PIN Privatstiftung), which is part of the group founded by Chairman of the Supervisory Board Johann Neunteufel. With certain exceptions, however, the company has an exclusive, irrevocable and unlimited license to use this brand in conjunction with the name “Wacker”.

Since the date of acquisition, the NEUSON KRAMER Group generated profit after minority interests in the amount of EUR K 7,695 and sales to the value of EUR K 84,548.

Had the merger been completed at the beginning of the reporting year (or period under review), consolidated sales of the merged companies would have amounted to EUR K 979,534, and the consolidated profits of the merged companies would have amounted to EUR K 75,039.

The goodwill results from the acquisition of Weidemann GmbH in fiscal 2005 and Ground Heaters, Inc. in fiscal 2006 as well as the goodwill resulting from the merger with the Neuson Kramer Group in 2007. Goodwill developed as follows:

in € K	Goodwill
Balance at January 1, 2007	36,837
Foreign currency fluctuations	- 830
Subsequent purchase price adjustments resulting from the acquisition of Weidemann GmbH	- 4,312
Goodwill from the Neuson Kramer merger	293,981
Goodwill at December 31, 2007	325,676

The retrospective purchase price adjustment resulting from the acquisition of Weidemann GmbH was caused by a legal dispute between the company's previous owners over the payment of remaining liabilities. The dispute was settled in 2007. According to the purchase agreement, the remaining liabilities were to be paid by Weidemann GmbH in the form of a reduction in purchase price.

In accordance with the regulations as set forth in IFRS 3, goodwill was not amortized. The goodwill as included in the Weidemann GmbH balance sheet which had already been amortized to EUR 1 was accounted for as initially recognized. The goodwill originally included in the balance sheet of the subgroup in the Neuson Kramer Group was incorporated in the goodwill realized for the Neuson Kramer Group as part of the initial consolidation process.

b) Other intangible assets

in € K	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Payments on account	Total
Acquisition costs					
Balance at January 1, 2007	12,221	30,689	0	177	43,087
Currency translation differences	- 588	- 530	0	- 17	- 1,135
Additions from acquisitions	786	71,134	3,458	0	75,378
Additions	4,233	0	425	160	4,818
Retirements	- 193	0	0	- 24	- 217
Transfers	109	0	0	- 100	9
Balance at December 31, 2007	16,568	101,293	3,883	196	121,940
Accumulated amortization					
Balance at January 1, 2007	9,852	1,088	0	0	10,940
Currency translation differences	- 504	- 83	0	0	- 587
Additions	1,281	9,889	339	0	11,509
Retirements	- 142	0	0	0	- 142
Transfers	0	0	0	0	0
Balance at December 31, 2007	10,487	10,894	339	0	21,720
Book value on December 31, 2006	2,369	29,601	0	177	32,147
Book value on December 31, 2007	6,081	90,399	3,544	196	100,220

in € K	Licenses and similar rights	Other intangible assets	Internally produced intangible assets	Payments on account	Total
Acquisition costs					
Balance at January 1, 2006	12,235	25,012	0	226	37,473
Currency translation differences	- 634	- 431	0	- 21	- 1,086
Additions from acquisitions	47	6,108	0	0	6,155
Additions	813	0	0	55	868
Retirements	- 290	0	0	- 44	- 334
Transfers	50	0	0	- 39	11
Balance at December 31, 2006	12,221	30,689	0	177	43,087
Accumulated amortization					
Balance at January 1, 2006	9,670	199	0	0	9,869
Currency translation differences	- 511	- 21	0	0	- 532
Additions	898	910	0	0	1,808
Retirements	- 205	0	0	0	- 205
Transfers	0	0	0	0	0
Balance at December 31, 2006	9,852	1,088	0	0	10,940
Book value on December 31, 2005	2,565	24,813	0	226	27,604
Book value on December 31, 2006	2,369	29,601	0	177	32,147

Other intangible assets have useful lives ranging from three to twenty years. They are amortized on a scheduled straight-line basis over the respective useful lives.

Furthermore, other intangible assets have a value of EUR K 22,000 for the brand name resulting from the acquisition of Weidemann GmbH in 2005. Due to the strong market position of the Weidemann company, the brand name and trademark are considered to have an indefinite useful life.

Following the merger with the Neuson Kramer Group, EUR K 42,838 was recognized for the brand name. This is also considered to have an indefinite useful life due to the company's strong market position. In addition to the brand, intangible assets amounting to EUR K 9,333 from open orders and EUR K 18,963 from technology accrued to the Group.

Intangible assets created internally refer to capitalized development costs.

Depreciation and amortization

Depreciation and amortization amounts are included in the pertinent positions reported on the income statement: cost of sales, sales and service expenses, research & development expenses as well as general administrative expenses.

c) Impairment of goodwill and other intangible assets with indefinite useful lives

The goodwill and indefinite-lived Weidemann and Neuson brands obtained through the acquisition of Weidemann and the merger with Neuson were allocated for impairment testing to the following cash-generating units within the Americas or European segments, which are obliged to disclose reporting information:

- Wacker Corporation (subgroup/USA)
- Weidemann GmbH (Germany)
- NEUSON KRAMER Baumaschinen AG (subgroup/Austria)

The pro-rata book values break down as follows:

in € K	2007	2006
Weidemann GmbH		
Book value of goodwill	24,592	28,904
Book value of the indefinite-lived brand	22,000	22,000
Wacker Corporation		
Book value of goodwill	7,103	7,933
NEUSON KRAMER Baumaschinen AG		
Book value of goodwill	293,981	–
Book value of the indefinite-lived brand	42,838	–
Total		
Book value of goodwill	325,676	36,837
Book value of the indefinite-lived brand	64,838	22,000

The value of goodwill and the indefinite-lived brand is verified during the annual impairment test. For this purpose, the book value is compared with the useful value. The useful value is determined using the discounted cash flow method. Value is impaired if the useful value is lower than the book value. Impairment losses did not need to be written down in fiscal 2007.

The calculation of useful value is based on assumptions, which in turn are dependent on the following uncertain estimates:

- Free cash flow,
- Discount rates,
- Price increases for raw materials and supplies,
- Market shares in the reporting period,
- Underlying growth rates for cash-flow predictions outside of the budget period.

Free cash flow – Free cash flow is determined using the values that the affiliates budget for the next three fiscal years. During the first three years, it is increased based on expected efficiency gains; a constant free cash flow is projected for the following two years in line with the third year in the budget.

Discount rates – Discount rates reflect management's assessment of the risks associated with cash-generating units. Includes a risk-free and risk-weighted rate. Discounting using the weighted average cost of capital (WACC) was applied at a rate of 12.67 percent (NEUSON KRAMER Baumaschinen AG/subgroup), 12.8 percent (Weidemann GmbH) and 15.42 percent (Wacker Corporation) before tax.

Price increases of raw materials – Past price fluctuations are used as indicators for estimating future price developments.

Estimating market shares – These estimates are important as – similar to growth projections – they reflect management's assessment of how the position of a cash-generating unit may change in comparison to its competitors during the budget period. Management expects the Group's market share to remain unchanged during the budget period.

Projecting growth rates – Management and affiliates estimate growth rates based on local market dynamics. Growth rates are determined for the first three budget years based on market conditions; the following two budget years are based on the third budget year. A constant growth rate of 1 percent (or 2.5 percent for Weidemann GmbH) is estimated after this budget period.

Sensitivity of estimates:

Management is of the opinion that changes to the basic assumptions on which the useful value of the cash-generating unit is calculated that could be reasonably expected to occur would not result in the unit's book value significantly exceeding its realizable value.

11 Other investments and other non-current assets

An affiliate of Wacker Construction Equipment AG, (Wacker France S.A.), held a participating interest of EUR 75.00 (book value) in 2006 and 2007. The NEUSON KRAMER Baumaschinen AG subgroup has interests in the amount of EUR K 1,649 (book value). The companies in question are not consolidated. For further details, please see the information on the consolidation structure in the general information on accounting standards.

Other non-current assets are composed of the following components:

in € K	Dec. 31, 2007	Dec. 31, 2006
Loans	83	81
Investment securities	1,656	754
Interest rate swap	832	839
Non-current trade receivables	28,293	1,497
Other non-current assets	3,659	2,626
Total	34,523	5,797

The long-term trade receivables mainly result from hire-purchase agreements and finance leases.

12 Inventories

Inventories are composed of the following components:

in € K	Dec. 31, 2007	Dec. 31, 2006
Raw materials and supplies	49,937	21,175
Work in progress	11,212	5,515
Finished goods	113,981	73,478
Total	175,130	100,168

An expense of EUR K 435,274 (2006: EUR K 345,155) was recorded as acquisition and manufacturing costs for inventories.

Of the reported inventories, EUR K 11,114 (2006: EUR K 6,573) are recognized at net realizable value. Write-downs of inventories recognized as an expense amount to EUR K 1,863 in the reporting period (2006: EUR K 1,127).

Write-ups of inventories recognized as an expense amount to EUR K 0 in the reporting period (2006: EUR K 0).

Similar to 2006, no inventories were pledged as collateral for liabilities during the period under review.

13 Trade receivables

Trade receivables have the following components:

in € K	Dec. 31, 2007	Dec. 31, 2006
Trade receivables at nominal value	164,467	102,566
Less allowance for doubtful accounts	- 4,990	- 4,032
Total	159,477	98,534

As of December 31, 2007, trade receivables (at nominal value) were broken down as follows:

in € K	2007	2006
Trade receivables	164,467	102,566
Nominal value of trade receivables written down or not due	122,562	81,393
Overdue at nominal value but not written down < 30 days	22,502	11,990
Overdue at nominal value but not written down 30–90 days	13,211	5,477
Overdue at nominal value but not written down > 90 days	6,192	3,707

Allowance for doubtful accounts developed as follows:

in € K	2007
Balance at January 1, 2007	4,032
Additions	1,873
Additions from changes in consolidation structure	672
Amortization/depreciation	- 996
Reversals	- 587
Discounts	- 4
Balance at December 31, 2007	4,990

Trade receivables are derived from trading with a large number of companies from different industries and regions. Regular credit checks verify the financial stability of receivables. Allowances for doubtful accounts are made where necessary.

In addition, interest-bearing trade receivables in the amount of EUR K 2,076 exist vis-à-vis four affiliates at closing date. Interest rates ranging from 2.9 percent to 11.5 percent were applied.

The current value is a reasonable approximation of the book value since all receivables are due within less than one year.

14 Marketable securities

Marketable securities comprise bearer shares in funds, promissory notes and bonds. The Group holds marketable securities totaling EUR K 88,656 (2006: EUR K 141).

EUR K 77,272 (bearer shares in funds and promissory notes) are attributable to Wacker Construction Equipment AG. Together, these were defined as an investment portfolio. The investment portfolio is managed in line with a documented investment strategy and valued at the fair market value. The valuation is performed according to IAS 39 in the category “financial assets at fair value through profit or loss”. In the period under review, a total of EUR K 2,406 was recognized as profit on the balance sheet.

EUR K 54 (2006: EUR 141) are allocable to the Austrian affiliate Wacker Baumaschinen GmbH in the form of a bond. Complying with IAS 39, it is classified in the category “available for sale” and valued at market price. Due to this evaluation, EUR K - 3 (2006: EUR K - 3) is to be recognized directly in equity. This results in a value of EUR K - 2 (2006: EUR - 2) after deduction of deferred tax.

The marketable securities from the NEUSON KRAMER Baumaschinen AG subgroup are bearer shares in funds amounting to EUR K 11,330. As these shares are acquired for the purpose of generating a profit from short-term fluctuations in price, they are recorded at fair value in the category “held for trading” (see notes table 26). Since the merger, a loss of EUR K 543 has been realized for these shares.

At the closing date, no significant concentration of default risks existed in relation to loans and receivables designated at fair value through profit or loss. The book value shown above represents the Group's maximum default risk for these kinds of loans and receivables.

15 Other current assets

in € K	Dec. 31, 2007	Dec. 31, 2006
Value-added tax	4,092	1,516
Advance payments	4,594	4,222
Travel advances	193	137
Receivables from associated companies	955	23
Receivables from finance leases	1,734	0
Other	2,335	1,624
Total	13,903	7,522

Receivables from associated companies include receivables from non-consolidated interests (see general information on accounting standards/consolidation structure) and receivables from shareholders.

The asset values of the pension liability insurance were offset against provisions. The fair value is a reasonable approximation of the book value since all items have a maturity of less than one year.

16 Cash and cash equivalents

in € K	Dec. 31, 2007	Dec. 31, 2006
Cash on hand	207	181
Bank balances	74,008	35,206
Cash deposits	2,601	1,054
Total	76,816	36,441

Cash on hand and bank balances in foreign currencies are converted at the spot rates. Differences in valuation between acquisition cost and current value were posted under other investment income or under investment expense.

Interest accrued at variable rates on the daily cash bank balances. Depending on the company's liquidity requirements, short-term, term accounts running for periods ranging from one day to three months were set up. The term money yielded interest at the prevailing rates.

17 Equity

Equity amounting to EUR K 70,140 is divided into 70,140,000 individual shares valued at EUR 1.00 each, and was fully paid-in at the closing date of the Consolidated Financial Statements.

	Dec. 31, 2007	Dec. 31, 2006
Number of shares issued	70,140,000	43,500,000
Less treasury shares	0	- 4,350,000
Shares outstanding	70,140,000	39,150,000

On May 15, 2007, trading in Wacker Construction Equipment AG shares commenced on the Prime Standard segment of the Frankfurt Stock Exchange. A total of 18,398,985 shares were placed during the IPO. 7,500,000 of these shares were from a capital increase, 8,499,117 were from the holdings of Wacker Beteiligungs GmbH & Co. KG and a family shareholder, and 2,399,868 shares were from a greenshoe option held by Wacker Beteiligungs GmbH & Co. KG. The increase in capital resulted in net proceeds of approximately EUR 153 million for the company. Following the IPO, the company's share capital amounted to EUR 51 million. The company retained 8.5 percent of treasury shares.

On September 23, 2007, Wacker Construction Equipment AG, NEUSON KRAMER Baumaschinen AG (Austria) and the main shareholders of NEUSON KRAMER Baumaschinen AG (accounting for a total holding of 89.63%), signed an agreement to merge both companies. The other shareholders of NEUSON KRAMER Baumaschinen AG, who held the remaining 10.37 percent of the stock, undertook to transfer their shares to Wacker Construction Equipment AG upon receipt of confirmation that information requested from the fiscal authorities will be provided.

NEUSON KRAMER Baumaschinen AG main shareholders transferred their shares to Wacker Construction Equipment AG in exchange for 16,702,912 new shares in Wacker Construction Equipment AG from a capital increase by means of contributions in kind and 4,349,961 treasury shares in Wacker Construction Equipment AG. On September 23, 2007, the Wacker Construction Equipment AG Executive Board resolved to increase the capital, duly exercising the power vested in it to do so at the AGM on April 13, 2007. The Supervisory Board also ratified the resolution on the same day.

On entry of the capital increase of October 2, 2007 in the Register of Companies, Wacker Construction Equipment AG thus officially acquired an 80.08 percent shareholding in NEUSON KRAMER Baumaschinen AG in exchange for 2,106,773 treasury shares and 16,702,912 new shares. The issue of 16,702,912 new shares raised Wacker Construction Equipment AG's share capital from 51,000,000 euros to 67,702,912 euros.

On October 31, 2007, the remaining 2,243,188 treasury shares in Wacker Construction Equipment AG were transferred to a former main shareholder of NEUSON KRAMER Baumaschinen AG in exchange for 9.55 percent stake in NEUSON KRAMER Baumaschinen AG. Once this transfer was complete, Wacker Construction Equipment AG held 89.63 percent of NEUSON KRAMER Baumaschinen AG.

Once the main shareholders had signed the agreement, the other shareholders of NEUSON KRAMER Baumaschinen AG, who held the remaining 10.37 percent of the stock, also signed the merger agreement on October 18, 2007 and undertook to transfer their shares to Wacker Construction Equipment AG. The outstanding shares in NEUSON KRAMER Baumaschinen AG, which did not yet belong to Wacker Construction Equipment AG, were transferred to Wacker Construction Equipment AG by the remaining shareholders in exchange for 2,437,088 new shares from a further capital increase by means of contributions in kind. The capital increase by means of contributions in kind was approved by the Executive Board on October 18, 2007, and ratified by the Supervisory Board. The increase was entered in the Register of Companies on October 25, 2007. The further capital increase by means of contributions in kind lead to a EUR 2,437,088 rise in Wacker Construction Equipment AG share capital, bringing the figure of EUR 67,702,912 to EUR 70,140,000.

The following shareholders held a direct interest exceeding 5 percent of the stock in Wacker Construction Equipment AG in 2007 or 2006:

	2007		2006	
	in %	in € K	in %	in € K
Wacker-Werke GmbH & Co. KG	29.1	20,391	10.1	4,394
Wacker Beteiligungs GmbH & Co. KG	4.1	2,845	27.0	11,745
Neuson Ecotec GmbH	29.0	20,349	–	–
Wacker Familiengesellschaft mbH & Co. KG	5.3	3,710	8.5	3,710
Interwac Holding AG	–	–	20.1	8,744
Interwac GmbH	–	–	21.3	9,253
Total	67.5	47,295	87.0	37,846

In addition to share capital, the components of equity are as follows:

in € K	Dec. 31, 2007	Dec. 31, 2006
Capital reserves	618,450	72,330
Other neutral changes	581	501
Exchange rate differences	- 32,845	- 21,526
Total	586,186	51,305

The capital reserves primarily result from share premiums in connection with the IPO and the merger with NEUSON KRAMER Baumaschinen AG.

A resolution passed at the AGM of April 13, 2007 vested the Executive Board with the right –subject to the consent of the Supervisory Board – to increase the share capital of the company on or before April 12, 2012 by a total of up to EUR 1,000,000 in whole or in part, on one or more occasions, by issuing new registered shares against contributions in cash (authorized capital I).

The statutory subscription rights of the shareholders shall be excluded:

- if employees of the company and affiliates of the company and the Executive Boards of affiliates (where these are not simultaneously members of the Executive Board of the company) are offered shares at a price which is 15% below the issue price
- with respect to fractional amounts
- if the issue price of the new shares is not significantly below the stock market price of the company's shares and the number of shares issued under exclusion of subscription rights does not exceed 10 percent of the share capital

A further resolution was also passed at the AGM on April 13, 2007, vesting the Executive Board with the right – subject to the consent of the Supervisory Board – to increase the share capital of the company on or before April 12, 2012 by a total of up to EUR 24,500,000 in whole or in part, on one or more occasions, by issuing new registered shares against contributions in kind (authorized capital II). The authorized capital II option was partially utilized to conclude the merger with NEUSON KRAMER Baumaschinen AG. As a result, the Supervisory Board amended the corresponding entry under Article 3, Paragraph 4 of the Articles of Association, following resolutions passed on September 23, 2007 and October 18, 2007 to the effect that authorized capital II now amounts to EUR 5,360,000.

The authorized capital as previously worded was annulled.

The statutory subscription rights of shareholders are excluded if companies, interests or company divisions are to be contributed in exchange for shares in the company.

Restrictions regarding voting rights or the transfer of shares:

■ Information regarding on the syndicate agreement

There is a syndicate agreement between some shareholders and companies in of the Wacker family and Neuson family shareholders and Neuson Ecotec GmbH. This agreement will expire on April 30, 2022. companies and shareholders of Neuson. Prior to each AGM of Wacker Construction Equipment AG, the syndicate members decide how to jointly exercise voting and petition rights in the AGM with an 80-percent majority of the votes cast. If an 80-percent majority is not achieved, all syndicate members must vote to reject the proposal, provided it meeting. Each syndicate member undertakes to exercise their voting and petition rights in the AGM of Wacker Construction Equipment AG in line with the syndicate's decisions, or to have these rights exercised in this manner. If the syndicate does not concern reach a decision, with regard to a resolution on the allocation of annual profits, the adoption of the annual financial statements by the AGM, approval of Executive and Supervisory Board members' actions, the appointment of the auditor, upholding minority interests and compulsory changes to the Articles of Incorporation as a result of changes to legislation or jurisdiction. Syndicate, the syndicate members have the right to freely exercise their voting rights in the cases mentioned above. In all other cases, the syndicate members must vote to reject the proposal. The Neuson shareholders appoint two members of the Supervisory Board, and the Wacker shareholders appoint two members of the Supervisory Board.

Shares can be transferred without restriction to spouses, registered partners, syndicate members' children, children adopted when they were minors by syndicate members, siblings, foundations set up by syndicate members in which exclusively persons with the above qualifications and controlling members of the Executive Board are the beneficiaries, charitable foundations, companies in which exclusively persons with the above qualifications are direct or indirect shareholders. If shares are transferred to any such persons, they must join the syndicate. If shares are transferred to third parties, either for a fee or free of charge, the other syndicate members have the right to acquire these shares. If the shares are to be sold to third parties off the stock exchange, all of the other syndicate members have a preferential purchase right. If it is intended to transfer the shares with the result that more than 50 percent of voting

rights in Wacker Construction Equipment AG are transferred to third parties that do not form part of the group of people to whom transfers can be freely made, the remaining syndicate members have the right to also sell their shares. If a syndicate member is excluded from the syndicate for good reason, the other syndicate members have a right to acquire the shares or a preferential purchase right. This also applies if a syndicate member ceases to qualify as a syndicate member.

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

Part of the Wacker family shareholders hold part of their shares via Wacker Familiengesellschaft mbH & Co. KG, which in turn also holds shares via Wacker-Werke GmbH & Co. KG. Economic ownership of the shares is attributed to the Wacker family shareholders.

The syndicate agreement has precedence over the regulations of the partnership agreement as long as Wacker Familiengesellschaft mbH & Co. KG is party to the above syndicate agreement. A partners' meeting is held prior to every AGM of Wacker Construction Equipment AG. In this meeting, the Wacker family shareholders define how they will vote and exercise their petitioning rights. However, votes in the AGM are to be cast in line with the syndicate's decisions. Two of the Wacker family shareholders have the right to propose one member of the Supervisory Board each to the shareholders, this member is then to be elected by the remainder.

Only the acquisition and preferential purchase rights in the syndicate agreement apply for family members who are party to the syndicate agreement. In the case of a sale by a family member who is not a syndicate member, acquisition and preferential purchase rights apply for sales to third parties who do not have comparable qualifications to those persons to whom shares can be freely transferred according to the syndicate agreement mentioned above. If a family shareholder exits the company as a result of a termination, the remaining syndicate members have a preferential purchase right to buy the shares for a period of two years from the date this shareholder exits the company. In addition, the partners' meeting can resolve that the exiting family shareholder does not receive compensation in cash but in the form of the shares to which they are financially entitled. After a period of five years has expired after the shares are admitted to trading on a German stock exchange or after midnight on December 31, 2013 – the earlier of these two dates applies – each exiting family member can demand to receive their compensation in the shares to which they are financially entitled.

■ Syndicate agreement between Lehner and Neuson shareholders

The Lehner shareholders have issued a Neuson shareholder with an irrevocable power of attorney with regard to the shares they acquired prior to the merger and during the merger of Wacker Construction Equipment AG and NEUSON KRAMER Baumaschinen AG. The Neuson shareholder is independently responsible for exercising these voting rights. He is not subject to any instructions, and will always exercise these in the same way as for the shares that he himself holds. These shares are thus subject to the restrictions of the aforementioned syndicate agreement.

The Neuson shareholder has a preferential purchase right to buy these shares in the event of a transfer to entities other than the Neuson shareholder or to Lehner shareholders.

■ Shares that are subject to lock-up as a result of initial admission to stock market trading

The company has made an undertaking to the IPO's global coordinators that it will not either directly or indirectly sell treasury shares without their written permission for a twelve-month period after its shares are initially listed (May 15, 2007), nor will it offer these shares, transfer them or otherwise dispose of them, however the sale of treasury shares in connection with the merger with Neuson Kramer was expressly excluded from this undertaking.

The selling shareholders during the IPO and Wacker Familien-gesellschaft mbH & Co. KG, Wacker-Werke GmbH & Co. KG and the members of the Executive Board Dr. Georg Sick, Richard Mayer and Werner Schwind have made an undertaking to the IPO's global coordinators not to sell, pledge or offer any of the other shares of the company they hold, either directly or indirectly, without their prior written permission for a period of twelve months after their initial listing (May 15, 2007).

The Chairman of the Supervisory Board, Johann Neunteufel, and PIN Privatstiftung Private Trust and Neuson Industries GmbH which belong to his group, have made a corresponding undertaking to the global coordinators for a twelve-month period after initial listing. This undertaking also includes the shares of the company acquired by Neuson Ecotec as part of the merger between Wacker Construction Equipment AG and the Neuson Kramer group.

Development of treasury shares:

in € K	Dec. 31, 2007	Dec. 31, 2006
Treasury shares		
Balance at January 1	- 36,691	- 11,000
Purchase of treasury shares	0	- 25,691
Sale of treasury shares	36,691	0
Balance at December 31	0	- 36,691

Retained earnings developed as follows:

in € K	Dec. 31, 2007	Dec. 31, 2006
Balance at January 1	224,260	192,924
Dividend for the respective fiscal year	- 24,273	- 15,621
Profit for the period	54,126	48,548
Change in consolidation structure	0	- 1,591
Balance at at December 31	254,113	224,260

Dividends paid in 2007 amount to EUR K 24,273 (EUR 0.62 per share) (previous year: EUR K 15,621, EUR 0.38 per share).

18 Provisions for pensions and similar obligations

Composition:

in € K	2007	2006
Provisions for pension obligations	21,888	8,665
Provisions for other obligations to employees	1,774	896
Total	23,662	9,561

Within Wacker Construction Equipment AG there are different types of retirement benefit schemes worldwide for old age and surviving dependants' 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 respective employee's level (both with respect to salary as well as hierarchy) as well as her/his years of service to the company.

The parent company Wacker Construction Equipment AG has entered into a legally binding obligation to provide post-employment benefits to those employees who entered company service before 1985 according to the benefits scheme last amended on January 15, 1987. In accordance with the benefits scheme, the companies provide a lump-sum payment to eligible employees after completing employment with the company:

- upon reaching the age of 65
- upon the receipt of early retirement benefits from the national pension scheme
- upon the occurrence of a permanent occupational disability after having attained the age of 60
- after the death of the employee to the surviving spouse.

Furthermore, pension commitments due to enter into effect as of retirement age also exist vis-à-vis Executive Board members as well as former executive and shareholders.

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.

Foreign subsidiaries also have defined contribution plans. In such cases, the company makes contributions to an insurance scheme either because of 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 profit before interest and tax (EBIT) in the respective year.

Provisions for the defined benefit plans are calculated using the Projected Unit Credit Method. Valuation is based on the legal, economic and tax factors in the respective countries. The expected service cost and accrued interest as well as anticipated returns from the pension assets are taken into account when calculating the costs of pensions for performance-oriented pension schemes. Actuarial gains and losses are recognized according to the 10 percent corridor method.

The actuarial valuation of the present values of pension obligations as of the balance sheet date is based on the following parameters and assumptions. These parameters are also applied in calculating the pension expenditures for the following year. Consequently the expense calculations are based on the following premises:

	in	2007	2006
Benefit plans for parent company			
Discount rate	%	5.50	4.25
Future pension increases expected	%	1.75	1.55
Expected return on plan assets	%	4.00	4.00
Retirement age	years	60	60
Other benefit plans¹			
Discount rate	%	5.47	5.09
Future pension increases expected	%	2.30	3.27
Expected return on plan assets	%	3.01	3.01
Retirement age	years	64	61

¹ Weighted average of the individual benefit schemes

Pension obligations are distributed across schemes that are not financed through funds as well as schemes that are entirely or partially financed through funds as follows:

in € K	2007	2006
Provisions for pension plans, not funded	19,061	2,878
Provisions for pension plans, fully or partly funded	8,545	11,259
Total	27,606	14,137

The changes in the present value of pension obligations and of pension funds are as follows:

in € K	2007	2006
Balance at January 1	14,137	15,333
Change in consolidation structure	16,489	0
Current service costs	852	544
Interest expense	716	560
Actuarial gains/losses	- 1,784	- 107
Changes in exchange rates	- 189	- 208
Paid benefits	- 709	- 457
Curtailments and settlements	- 1,906	- 1,528
Balance at December 31	27,606	14,137

in € K	2007	2006
Changes in fair value of plan assets		
Balance at January 1	2,698	3,307
Expected return on plan assets	119	93
Actuarial gains/losses	122	- 246
Changes in exchange rate	- 26	- 8
Employer's contributions	601	645
Curtailments and settlements	- 18	- 1,072
Paid benefits	0	- 21
Balance at December 31	3,496	2,698

in € K	2007	2006
Obligation net of plan assets	24,110	11,439
Actuarial gains/losses not yet recognized	- 585	- 2,039
Plan surplus	137	161
Provisions for pensions at December 31	23,662	9,561

The losses above and beyond the 10 percent corridor are amortized over the average remaining years until retirement, some 17 years in Germany's case. Amortization in 2006 and 2007 is part of total pension expense.

Plan assets primarily comprise pension liability insurance where future payments are pledged in favor of the entitled recipient.

Pension expenses are as follows:

in € K	2007	2006
Current service costs	852	544
Interest expense	716	560
Expected return on plan assets	- 119	- 93
Actuarial gains/losses	96	49
Result of curtailments and settlements	118	- 455
Pension expense from defined benefit plans	1,663	605
Pension expense from defined contribution plans	789	598
Total pension expense	2,452	1,203

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 of 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 2008 amount to EUR 0.6 million.

The following overview shows the projected pension pay-outs for the coming five years:

in € K	
Due in 2008	1,231
Due in 2009	1,390
Due in 2010	1,450
Due in 2011	1,513
Due in 2012	2,084

The following actual returns were recorded for fiscal years 2007 and 2006:

in € K	2007	2006
Actual return on plan assets	224	- 156

Only the Wacker Corporation plan requires the payment of healthcare contributions. The following table shows the effects of a one percentage point increase or reduction in healthcare costs:

	2007		2006	
	Additions	Reversals	Additions	Reversals
Effect on service cost and interest expense	23	- 19	21	- 25
Effect on the present value of pension obligations	30	- 25	87	- 64

The following information applies to the period 2003 through 2007:

in € K	2007	2006	2005	2004	2003
Present value of performance-oriented obligations	27,606	14,137	15,333	12,909	8,548
Fair value of the plan assets	3,496	2,698	3,307	2,614	1,189
Plan surplus/deficit	24,110	11,439	12,026	10,295	7,359
Experience adjustments					
Of which: plan liabilities	80	24	13	- 7	13
Of which: plan assets	110	- 184	0	0	0

19 Other provisions

The provisions are as follows:

in € K	Balance Jan 1, 2007	Changes in consolidation structure Currency	Utilization	Additions	Reversals	Balance Dec. 31, 2007
Provisions						
Warranties	3,524	1,604	2,452	2,620	22	5,274
Obligations towards employees	5,871	444	2,553	1,842	80	5,524
Professional fees	486	- 1	441	668	44	668
Litigation costs	288	87	25	161	3	508
Other provisions	1,888	246	742	1,562	66	2,888
Total	12,057	2,380	6,213	6,853	215	14,862

The due dates of the above provisions are distributed as follows.

in € K	Current (< 1 year)	Non-current (> 1 year)	Balance Dec. 31, 2007
Provisions			
Warranties	3,896	1,378	5,274
Obligations towards employees	3,301	2,223	5,524
Professional fees	668	0	668
Litigation costs	212	296	508
Other provisions	1,620	1,268	2,888
Total	9,697	5,165	14,862

The increase in discount amounts for long-term provisions from December 31, 2006 through December 31, 2007 amounts to EUR K 34 for obligations towards employees based on the respectively valid assessment basis.

Obligations towards employees includes provisions for employees nearing pension age who are working part-time and for whom claims for reimbursement against the German tax office amount to EUR K 230 in 2007 and EUR K 74 in 2006.

20 Financial liabilities

Financial liabilities comprise the following amounts:

in € K	Dec. 31, 2007	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	101,824	77,731	24,093	0
Bonds	18,826	0	18,826	0
Liabilities from finance leases	821	163	338	320
Other non-current liabilities	924	282	642	0
Total	122,395	78,176	43,899	320

in € K	Dec. 31, 2006	Up to 1 year	1 to 5 years	Over 5 years
Borrowings from banks	75,462	18,255	54,007	3,200
Liabilities for finance leases	1,055	205	550	300
Other non-current liabilities	5,193	2,448	2,745	0
Total	81,710	20,908	57,302	3,500

At Wacker Construction Equipment AG, borrowings from banks are loans with variable interest rates that are continuously adapted to reflect market interest rates. Borrowings from banks that run for less than a year mainly comprise accounts for the Group cash pool that are due on a daily basis amounting to EUR K 38,024 (2006: EUR K 8,397) as well as EUR K 30,326 in current accounts held by the Neuson Kramer subgroup that are also due on a daily basis. One portion is a loan contract with a major German bank amounting to EUR K 50,000 (at the closing

date: EUR K 24,000) maturing on June 30, 2012, and originally entered into to finance the acquisition of Weidemann GmbH. The principal of the loan is to be paid off through semi-annual installments of EUR K 2.700, on which sum interest payments are due with, optionally, 1-, 3-, 6- or 12-month Euribor plus an additional margin of 0.65 percent. With respect to the borrower's share of the business in Weidemann GmbH, there is an obligation not to execute power of disposal (sale) and to refrain from making any binding declarations. Furthermore, Wacker Construction Equipment AG is bound by contract to use the proceeds received from the sale of assets outside of ordinary business operations which exceed the threshold value of EUR K 10,000 per annum to make a special redemption payment. Furthermore, the loan contract contains a clause under which Wacker Construction Equipment AG is bound to pledge their shares held in Weidemann GmbH to the bank as security should circumstances arise or become public that would justify the issuing of a higher risk assessment by the bank.

Wacker Corporation also has two current account lines at two American banks. These amount to a total of USD K 90,000 on which sum interest payments are due with 1-month US Libor plus 0.625 percent or 1 percent. In 2006 these lines were drawn on to the amount of USD K 564 (EUR K 431). In fiscal 2007 (status as of December 31, 2007) the lines were not utilized.

Furthermore, borrowings from banks include loans in Brazilian Reals with fixed interest rates that range from 11 percent (2006: 13 percent) to 14 percent (2006: 15 percent). The value at closing date was EUR K 3,649 (2006: EUR K 2,437).

NEUSON Finance GmbH has a line of credit up to the value of EUR 40 million at an Austrian bank.

A further Austrian bank has granted NEUSON Finance GmbH and Kramer-Werke GmbH current account lines of up to approximately EUR 18 million and EUR 2 million. The EUR 18 million credit line can be terminated within a period of three month's notice and runs until March 31, 2008.

NEUSON Finance GmbH has a line of credit of up to EUR 5 million at a third Austrian bank.

NEUSON Baumaschinen GmbH has an export incentive credit line in the amount of EUR 10 million (KRR credit line) at an Austrian bank. This credit is used exclusively to finance receivables from export trade. If the contract is not terminated by March 31 of the year in question, it is automatically renewed for a further twelve months. Amounts accruing to the bank under this loan agreement are secured by a global debt assignment provision and a bill of surety granted by Österreichische Kontrollbank AG.

Bonds

NEUSON Finance GmbH has issued two bonds amounting to a total nominal value of EUR 20 million (book value EUR 18,826). These are secured by a guarantee from NEUSON KRAMER Baumaschinen AG and listed on the multilateral trading platform Third Market of the Vienna Stock Exchange (Multilateral Trading System (MTF)).

Bond

One bond has been arranged by an Austrian bank. It has a total nominal value of EUR 10 million and an original term of five years. The maturity date of this bond is September 8, 2010. The effective annual gross interest rate amounts to 3.41 percent. NEUSON Finance GmbH can terminate bonds forming part of the loan in whole (but not in part) by serving notice to that effect 14 days before the end of the month if unexpected tax regulations come into force or the application of existing tax regulations changes and the new fiscal situation would result in a considerable cost burden for NEUSON Finance GmbH. Bondholders may only terminate bonds forming part of the loan and demand repayment of the nominal value for good cause and subject to compliance with specific conditions (e.g., if NEUSON Finance GmbH or NEUSON KRAMER Baumaschinen AG default on payment or become insolvent).

Bundled bond

The bundled bond issued by NEUSON Finance GmbH together with other issuers has a total nominal value of EUR 30 million, of which EUR 10 million is allocable to NEUSON Finance GmbH. The maturity date of this bond is September 30, 2012. The effective annual gross interest rate amounts to 3.76 percent. Bondholders may recall their bonds as part of loans in the event of certain breaches of contract (if the issuer or guarantor defaults on payment or becomes insolvent, for example). Furthermore, bondholders may terminate their bonds if the ownership structure or sphere of influence of NEUSON Finance GmbH or NEUSON KRAMER Baumaschinen AG significantly changes and this change has a negative impact on NEUSON Finance GmbH's ability to meet its liabilities. The change may also be a gradual process and may also apply to a major affiliate (for example through the sale of a majority shareholding).

The book values of borrowings from banks with variable and fixed interest rates were reported in the following currencies (equivalent in euros):

in € K	2007	2006
Euro	76,301	66,482
US-\$	12,215	484
CHF	3,967	0
BRL	3,649	2,437
JPY	2,152	1,023
HKD	1,431	3,449
AUD	532	379
Other	1,577	1,208
Total	101,824	75,462

The fair values of financial liabilities are reasonable approximations of the book values.

21 Trade payables

As of December 31, 2007, trade payables (at book value) were broken down as follows:

in € K	2007	2006
Book value due < 30 days	42,685	33,720
Book value due 30–90 days	16,160	3,169
Book value due > 90 days	4,235	3,184
Total	63,084	40,073

Interest does not accrue on trade payables.

22 Other current liabilities

in € K	Dec. 31, 2007	Dec. 31, 2006
Advance payments received	887	153
Other accruals (total)	9,285	8,602
Deferred taxes	10,823	3,846
Value added tax	4,278	2,680
Personnel (wages/salaries, vacation, etc.)	13,653	10,140
Other	3,772	6,128
Total	42,698	31,549

The other accruals/deferrals in 2007 consist mainly of costs for preparing the annual financial statements and the IPO prospectus. Outstanding invoices as well as insurance policies, rebates and sales commissions are also included under other accruals/deferrals. Customers' credit balances are also included under this item.

The fair values of the short-term borrowings are reasonable approximations of the book values.

23 Derivative financial instruments

The nominal amounts and market values of the derivative financial instruments as of December 31, 2007 and 2006 are recognized as follows:

in € K	2007		2006	
	Nominal Value	Market Value	Nominal Value	Market Value
Assets				
Currency hedges	0	0	0	0
Interest hedges	24,000	832	32,900	841
Commodity hedges	0	0	0	0
Other	0	0	0	0
Total	24,000	832	32,900	841
Liabilities				
Currency hedges	0	0	0	0
Interest hedges	0	0	0	0
Commodity hedges	24	8	102	29
Other	0	0	0	0
Total	24	8	102	29

The offsetting values from the underlying transactions are not included in determining the market value of the derivative financial instruments. Thus, they do not represent the value that the companies would achieve from both the underlying transaction and hedging contract. The book values of derivatives correspond to the market values and there is no (material) exposure to credit risks, since all derivative contracts were entered into with banks that have a top credit rating.

The market values and associated deferred tax developed as follows during the fiscal year:

in € K	Market values	Deferred taxes	Carried under equity
Assets			
Balance at January 1, 2007	841	- 323	518
+/- not reflected in income	- 317	179	- 138
+/- reflected in income	308	- 101	207
Balance at December 31, 2007	832	- 245	587
Equity and liabilities			
Balance at January 1, 2007	29	- 13	16
+/- not reflected in income	- 21	10	- 11
+/- reflected in income	0	0	0
Balance at December 31, 2007	8	- 3	5

The maturities of derivative financial instruments are as follows:

in € K	Up to 1 year	1 to 5 years	Over 5 years
	Nominal Value		
Assets			
Currency hedges	0	0	0
Interest hedges	5,400	18,600	0
Commodity hedges	0	0	0
Other	0	0	0
Total	5,400	18,600	0
Liabilities			
Currency hedges	0	0	0
Interest hedges	0	0	0
Commodity hedges	24	0	0
Other	0	0	0
Total	24	0	0

Other information

24 Contingent liabilities

Contingent liabilities, on the one hand, represent possible obligations that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company. On the other hand, contingent liabilities are 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 € K	Dec. 31, 2007	Dec. 31, 2006
Guarantees	337	397

In addition to the above-mentioned contingent liabilities, the Group undersigns various financial guarantees (sureties). It is highly unlikely, however, that these will be exercised. Therefore no value was booked.

The Group is liable for the following financial guarantees:

in € K	Dec. 31, 2007	Dec. 31, 2006
Financial guarantees		
Book value	0	0
Nominal value	3,952	2,845

The financial guarantees mainly comprise an agreement between the affiliate Wacker Corporation and a bank. The agreement was concluded to enable the Wacker Corporation to provide customers with financing options. The bank charges the affiliate for these transactions. The charges are calculated based on the purchase agreement (0.5 percent – 1.0 percent). In the event of default, the affiliate is obliged to settle the outstanding receivables plus interest. Interest rates range between 11 percent and 14 percent.

25 Other financial liabilities

a) Obligations for equipment rental and service

The terms of the obligations for rental equipment and service contracts are as follows:

in € K	Dec. 31, 2007
Obligations due within 1 year	8,661
Obligations due in 1 to 5 years	15,110
Obligations due in more than 5 years	4,263
Total	28,034

b) Lease obligations

Finance lease obligations

Finance leasing contracts mainly concern the purchase of office and other equipment and real estate.

The following table lists the net book values of the relevant assets at the closing date.

in € K	Dec. 31, 2007	Dec. 31, 2006
Office and other equipment	109	264
Buildings	887	909
Total	996	1,173

Lease contracts for vehicles contain, for the most part, a purchase option at the end of the basic term of the lease which is also to be exercised. The annual interest rates used in the contracts vary depending on the market and the date the contract was signed, ranging between 5 percent and 10.32 percent.

The finance lease contract concerns the purchase of a self-occupied administration building by the Hungarian subsidiary which will terminate in 2015.

Future minimum lease payments discounted to present value are presented in the following table:

in € K	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	171	360	339	870
Less discount	- 8	- 22	- 19	- 49
Present value	163	338	320	821

To the extent that the company is the lessor and has sold machines by way of finance lease, the receivable is capitalized to the amount of the net investment value ensuing from the leasing contract. The sales proceeds are recognized in accordance with IAS 17.

The present values at closing date are as follows:

in € K	Up to 1 year	1 to 5 years	Over 5 years	Total
Outstanding min. lease payments	1,115	16,896	0	18,011
+ Non-guaranteed residual value (nominal)	726	3,460	0	4,186
= Gross investment	1,841	20,356	0	22,197
- Unrealized investment income	- 107	- 4,728	0	- 4,835
= Net investment (present value)	1,734	15,628	0	17,362
- Present value of non-guaranteed residual values	- 726	- 3,460	0	- 4,186
= Present value of minimum lease payments	1,008	12,168	0	13,176

Operating leases

Insofar as a Wacker Group entity acts as a lessee, the lease payments are recognized as an expense over the term of the lease on a straight-line basis.

This essentially refers to leased vehicles, computer hardware and other office equipment.

Outstanding commitments for future minimum lease payments under operating leases that cannot be terminated can be seen in the following table:

in € K	Up to 1 year	1 to 5 years	Over 5 years	Total
Future minimum lease payments (nominal)	6,999	13,001	421	20,421

In 2007 a total of EUR K 5,423 (2006 EUR K 4,367) for operating lease agreements was expensed.

c) Obligations resulting from investment decisions

It should also be noted that financial obligations ensuing from construction and investment projects amounting to EUR K 4,244 (2006: 15,476) also exist.

26 Additional information on financial instruments

The book and fair values of financial assets and liabilities are presented in the following table. It also shows how the individual items are categorized.

in € K	2007 Fair value	2007 Book value	Initial dis- closure	Held for trading	Held for sale	Hedges	Loans and re- ceivables	Held to maturity	Leases and others (book value)	Non- financial assets (book value)
			IAS 39 classification (book value)							
			Measured at fair value through profit or loss			Measured at fair value with changes recog- nized in equity		At residual book value		
Assets										
Other investments	1,649	1,649	0	0	1,649	0	0	0	0	0
Other non-current assets	34,523	34,523	0	0	713	832	32,134	0	0	844
Trade receivables	159,477	159,477	0	0	0	0	142,410	0	17,067	0
Marketable securities	88,656	88,656	77,272	11,330	54	0	0	0	0	0
Other current assets	13,903	13,903	0	0	0	0	3,571	0	1,473	8,859
Cash and cash equivalents	76,816	76,816	0	0	0	0	76,609	0	207	0

	2007 Fair value	2007 Book value	Initial dis- closure	Held for trading	At resid- ual book value	Hedges	Leases and others (book value)	Non- financial assets (book value)
in € K			IAS 39 classification (book value)					
						Measured at fair value with changes recognized in equity		
			Measured at fair value through profit or loss					
Liabilities								
Non-current borrowings	44,219	44,219	0	0	43,561	0	658	0
Trade payables	63,084	63,084	0	0	63,084	0	0	0
Current borrowings from banks	72,103	72,103	0	0	72,103	0	0	0
Current portion of non-current borrowings	6,073	6,073	0	0	5,910	0	163	0
Other current liabilities	42,698	42,698	0	0	1,758	8	0	40,932

in € K	2006 Fair value	2006 Book value	Initial dis- closure	Held for trading	Held for sale	Hedges	Loans and re- ceivables	Held to maturity	Leases and others (book value)	Non- financial assets (book value)
			IAS 39 classification (book value)							
				Measured at fair value through profit or loss	Measured at fair value with changes recog- nized in equity		At residual book value			
Assets										
Other non-current assets	5,797	5,797	0	0	0	839	3,985	0	0	973
Trade receivables	98,534	98,534	0	0	0	0	98,534	0	0	0
Marketable securities	141	141	0	0	141	0	0	0	0	0
Other current assets	7,522	7,522	0	0	0	0	2,679	0	0	4,843
Cash and cash equivalents	36,441	36,441	0	0	0	0	36,260	0	181	0

in € K	2006 Fair value	2006 Book value	Initial dis- closure	Held for trading	At resid- ual book value	Hedges	Leases and others (book value)	Non- financial assets (book value)
			IAS 39 classification (book value)					
				Measured at fair value through profit or loss		Measured at fair value with changes recognized in equity		
Liabilities								
Non-current borrowings		60,802	60,802	0	0	59,952	0	850
Trade payables		40,073	40,073	0	0	40,073	0	0
Current borrowings from banks		13,342	13,342	0	0	13,342	0	0
Current portion of non-current borrowings		7,566	7,566	0	0	7,362	0	204
Other current liabilities		31,549	31,549	0	0	5,105	0	26,444

Investments in equity instruments amounting to EUR K 1,649 that do not have a quoted market price in an active market are included in other investments. These equity instruments were valued at acquisition cost as the current value cannot be reliably determined.

The following net profits were recognized as income:

in € K	2007	2006
Net profit from financial liabilities reflected in income (booked out)	1,935	583

In the year under review, this primarily concerned proceeds from a compromise reached with a former shareholder of the affiliate Weidemann GmbH in order to settle a legal dispute over the remaining purchase price.

27 Events after the balance sheet date

An affiliate will be founded in India in the near future. It is not expected that this new company will have a significant impact on the Group's assets, profit and finances in 2008.

Affiliate Wacker Australia Pty. Ltd. purchased a tract of land in New South Wales (NSW). The agreement was signed on January 10, 2008. The purchase price is around EUR 1 million.

In the first six months of 2008, Austrian affiliate Wacker Baumaschinen GmbH is planning to conclude an asset deal with Stambach Baumaschinen GmbH, a former subsidiary of NEUSON Baumaschinen GmbH. This internal Group transaction will not have a significant impact on the Group's assets, profit and finances.

No other noteworthy events occurred after the balance sheet date.

28 Segmentation

Primary segmentation (geographical segments)

For information regarding geographical segmentation please refer to the section on consolidation structure (see the general information on accounting standards).

The internal organization structure and management structure as well as the internal reports to the Executive Board and the Supervisory Board form the basis for determining the primary segment format of Wacker Construction Equipment AG. In this respect Wacker Construction Equipment AG is divided geographically into regional markets (Europe, Americas and Asia).

The transactions between segments are valued according to the transfer prices used within the Group which are derived from market prices.

Secondary segmentation (business segments)

The secondary segment format is separated into the business segments light equipment, compact equipment and services.

The light equipment business segment covers the manufacture and sale of light equipment weighing up to approximately three metric tons in the following four business fields: concrete technology, soil and asphalt compaction, demolition and utility.

The compact equipment business segment covers the manufacture and sale of compact equipment weighing up to approximately fourteen metric tons.

The business segment services houses the company's activities in the business fields after-market (repair and maintenance) and rental.

Intercompany transactions between the individual companies of Wacker Construction Equipment AG are based on prices that also apply to third-party transactions.

Assets cannot be meaningfully allocated to individual business segments, thus segment assets and capital expenditures are not reported.

29 Cash flow statement

The cash flow statement was prepared in accordance with IAS 7. The cash flow statement reports cash flows resulting from operating activities, from investing activities as well as from financing activities. Separate lines in the 2007 cash flow statement reflecting changes in the consolidation structure is the result of the initial consolidations of the Neuson Kramer subgroup and partial subsequent reimbursement of the purchase price paid to the former Weidemann. Insofar as changes in liquid funds 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 cash and cash equivalents that are as reported on the balance sheet. Current borrowings from banks in the Group cash pool were offset against cash and cash equivalents.

in € K	Dec. 31, 2007	Dec. 31, 2006
Cash on hand	207	181
Bank balances	74,008	35,206
Cash deposits	2,601	1,054
Liabilities from Group cash pool	- 38,024	- 8,397
Total	38,792	28,044

Non-cash operating expenses and income as well as the gain or loss on the sale of property, plant and equipment have been eliminated in the cash flow from operating activities.

Cash flow from investing activities comprises the cash outlay for the purchase of property, plant and equipment and intangible assets, cash outflow generated by the merger with Neuson Kramer, as well as interest received.

Cash flow from financing activities is made up of payments received from and paid to shareholders as well as borrowing and the repayment of debt.

30 Risk management

Capital management

The main aim of the Group's capital management policy is to maintain a high equity ratio to support business activities.

The Group controls and modifies its capital structure in line with changing economic dynamics. The goal of the capital management policy is to secure the company's business and investment activities in the long term. To maintain or adapt capital structure, the Group can change dividend payments to shareholders or issue new shares. As of December 31, 2007 and December 31, 2006, no changes were made to objectives, guidelines or procedures. The Group monitors its capital using the net financial debt resulting from current net financial liabilities and non-current financial liabilities.

in € K	Dec. 31, 2007	Dec. 31, 2006
Liquid assets	76,816	36,441
Current financial receivables	88,656	141
Current liabilities (without provisions)	185,324	93,737
thereof current financial liabilities	78,176	20,907
Current financial liabilities	72,103	13,342
Current portion of non-current financial liabilities	6,073	7,565
Non-current financial liabilities (without provisions)	44,219	60,802
Equity		
Share capital	70,140	43,500
Capital reserves	618,450	72,330
Other reserves	- 28,818	- 57,716
Retained earnings	196,541	175,712
Earnings	54,126	48,548
Total equity	910,439	282,374
Total capitalization	1,032,834	364,083

in € K	Dec. 31, 2007	Dec. 31, 2006
Current net financial liabilities	- 87,296	- 15,675
Current liabilities	78,176	20,907
less liquid assets	- 76,816	- 36,441
less current financial receivables	- 88,656	- 141
Net financial debt	- 43,077	45,127
Current net financial liabilities	- 87,296	- 15,675
plus non-current financial liabilities	44,219	60,802

Liquid assets cover cash and cash equivalents. Current marketable securities are disclosed under current financial receivables. Financial liabilities includes not only borrowings from banks and bonds but also liabilities from finance leases and other non-current liabilities. Equity refers to the entire equity amount attributable to shareholders in the parent company. With the exception of minimum capital requirements stipulated under German stock legislation, equity is not subject to any external minimum capital requirements. The company complies with the minimum capital requirements stipulated under German stock legislation.

Financial risk factors

Due to the global scope of its operations, the Group is exposed to various risks, i.e. 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 at minimizing 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. The Group employs derivative financial instruments in a targeted way to hedge against certain risks.

Risk management is carried out by the Group finance department in accordance with the rules and guidelines approved by the Executive Board. The Group finance department 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 policies for certain areas such as dealing with foreign currency risks, interest rate risks and credit risks, the use of derivative and other financial instruments and the use of liquidity surpluses.

Currency risks

Currency risks arise from expected future transactions, assets and liabilities reported in the balance sheet, as well as net investments in a currency that diverges from the functional currency (euro). Exchange risks are naturally hedged by offsetting receivables against payables in a given currency.

Two of the Group's major manufacturing affiliates prepare their balance sheets in US dollar. From the Group's perspective, the US dollar is therefore a foreign currency that represents a significant potential currency risk for financial instruments. 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 profit before tax and equity:

in € K	2007	2006
USD currency trends	+ 5.00/- 5.00%	+ 5.00/- 5.00%
Impact on profit before tax (EBIT)	- 428/473	- 1,268/1,402
Impact on equity	- 428/473	- 1,268/1,402

The Group is also subject to currency risks from individual transactions resulting from purchases and sales executed by a member company in a currency other than the functional currency.

Credit risks

The Group is not exposed to any material credit risks (address default risks). Contracts for derivative financial transactions are concluded only with financial institutions with a high quality 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 less impairment represents the maximum default risk. For further information on the book value of the financial assets, please refer to section 26, "Additional information on financial instruments".

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 Wacker Construction Equipment AG is liable. On the other hand, they influence the market value of financial instruments.

The Group hedges its cash flow against interest rate risks arising from borrowing with variable interest rates primarily by means of interest rate swaps (payer swaps), which, taking the prevailing economic climate into consideration, convert the variable interest rate positions into positions with fixed interest rates.

The following tables show how sensitive the Group's profit before tax is to even conservative changes in interest rates based on the impact this would have on variable interest rate loans and bank balances as well as marketable securities. The effects on Group profit before tax also reflect the impact on equity.

in € K	Balance at Dec. 31, 2007	Interest 2007	Impact on profit before tax (increase of 20%)	Impact on profit before tax (decrease of 20%)
Financial assets with variable interest rates				
Bank balances cash pool	55,063	3.5%	110	- 110
Marketable securities	88,656	4.47%	177	- 177
Financial liabilities with variable interest rates				
Borrowings from banks	38,024	3.5%	- 76	76
Other variable borrowings from banks	30,326	4.4%	- 61	61
Total			150	- 150

in € K	Balance at Dec. 31, 2007	Interest 2007	Impact on profit before tax (increase of 20%)	Impact on profit before tax (decrease of 20%)
Financial assets with variable interest rates				
Bank balances cash pool	26,743	3.5%	53	- 53
Financial liabilities with variable interest rates				
Borrowings from banks	8,383	3.5%	- 17	17
			36	- 36

Two bonds (EUR K 18,826) with fixed interest rates also exist in addition to the variable financial assets and liabilities listed above. These bonds are disclosed in detail under section 20) Financial liabilities. As the interest rates for these bonds are fixed, there is no risk from interest rate fluctuations.

A loan was also taken out to finance the acquisition of Weidemann GmbH (EUR K 24,000). This is disclosed in detail under section 20) Financial liabilities. The interest payments from the loan are hedged with an interest rate swap at an interest rate of 2.98 percent (see section 23) Derivative financial instruments).

Liquidity risks

Liquidity risks involve the availability of funds needed to meet payment obligations on time. The supply of liquid funds at Wacker Construction Equipment AG is assured at all times by the lines of credit not currently used by the company. Liquidity is managed by the Group's treasury department via a Group-wide cash pool system.

31 Acquisitions and disposals

The following merger took place in fiscal 2007:

The merger with NEUSON KRAMER Baumaschinen AG, headquartered in Leonding, Austria, was completed on October 1. The company and its subsidiaries are engaged in the development, manufacture and sale of compact construction equipment. The merger has enhanced the product portfolio of the new Group, enabling it to position itself as a manufacturer of light and compact equipment. Refer to the section on equity in these notes for detailed information on the legal aspects of the merger.

32 Overview of equity investments in non-consolidated companies

NEUSON KRAMER Baumaschinen AG directly or indirectly has shareholdings in the following companies that were not included in the consolidation structure:

Company name	City	Country	Direct	Indirect	Equity	Profit for period
	Seat		Participating interest		in € K	in € K
NK Administration Ltd.	Gwent, Tredegar	United Kingdom	100%	100%	under closure	under closure
NK Administration s.r.l	Paris	France	100%	100%	under closure	under closure
Kramer Allrad of North America Inc.	Bridgeville, Pennsylvania	USA	100%	95%	under closure	under closure
Kramer Allrad France S.A.R.L.	Sainte Genevieve des Bos	France	100%	95%	under closure	under closure
Haus + Wohnen Immobilien GmbH	Überlingen	Germany	100%	95%	1,558	- 306
Kramer Wohnungsbau GmbH	Überlingen	Germany	100%	95%	45	106
Prose d.o.o. ¹	Kragujewac	Serbia	100%	100%		

¹ Only formed in 2008

33 Corporate bodies

Executive Board

The Executive Board of Wacker Construction Equipment AG comprises the following five members:

Dr. Georg Sick

CEO and President, previously responsible for development, production, procurement, legal matters and human resources; since October 18, 2007, responsible for corporate communications, Group auditing, quality management, legal matters and human resources

Martin Lehner

Deputy CEO, responsible for the Compact Equipment business segment (since October 18, 2007)

Günther Binder

Responsible for finance, controlling and IT (since October 18, 2007)

Richard Mayer

Previously responsible for finance, controlling and IT; since October 18, 2007, responsible for the Light Equipment business segment

Werner Schwind

Responsible for sales, marketing, service and rental

Total remuneration for the management body in the period under review amounted to EUR K 3,505 (2006: EUR K 2,404). At the AGM on May 15, 2006, a resolution was passed to refrain from itemizing this information in accordance with section 285, clause 1, no. 9a clauses 5 to 9 in conjunction with section 314, paragraph 2, clause 2 of the German Commercial Code, in conjunction with section 315a, section 1 of the German Commercial Code.

The following members of the company's Executive Board have additional Supervisory Board positions or seats for comparable supervisory committees in Germany and abroad:

Richard Mayer

Member of the Advisory Board of the EQUA association in Herrsching, Germany

Günther Binder

Member of the Supervisory Board of Volksbank Linz-Mühlviertel, Austria

With the exception of the members stated above, no other members of the Executive Board have administrative or advisory functions or mandates for comparable supervisory committees in Germany or abroad outside of the Wacker Group.

Supervisory Board

The following members are appointed to the Supervisory Board of Wacker Construction Equipment AG:

Johann Neunteufel

Engineer, member and head of management board of numerous companies, Chairman of the Supervisory Board (since October 18, 2007)

Dr. Ulrich Wacker

Lawyer, Chairman of the EQUA association, Deputy Chairman of the Wacker Construction Equipment AG Supervisory Board (since October 18, 2007; previously CEO)

Kurt Helletzgruber

Merchant, member and head of management board of numerous companies (since October 18, 2007)

Dr. Eberhard Kollmar

Attorney-at-law, Rothe, Senninger & Kollmar (until October 18, 2007: Deputy Chairman of the Wacker Construction Equipment AG Supervisory Board)

Elvis Schwarzmaier

Voted Employee Representative on February 14, 2007, Chairman of the Reichertshofen Works Council and Chairman of the Central Works Council

Herbert Santl

Voted Employee Representative on February 14, 2007, Chairman of the Munich Works Council

Dr. Matthias Bruse

Lawyer, P+P Pöllath+Partners, Attorneys-at-law and Tax Advisors (from April 13, 2007 until October 18, 2007)

Dietrich-Walrab von Buttlar

Lawyer, Schmid, von Buttlar + Partner Rechtsanwälte (from April 13, 2007 until October 18, 2007)

With effect from October 18, 2007, Mr. Johann Neunteufel was appointed Chairman of the Supervisory Board following Dr. Ulrich Wacker's resignation of the chairmanship.

Also with effect from October 18, 2007, Dr. Ulrich Wacker was appointed Deputy Chairman of the Supervisory Board, following Dr. Eberhard Kollmar's resignation of this seat.

Mr. Kurt Helletzgruber was appointed member of the Supervisory Board with effect from October 18, 2007. Dr. Matthias Bruse and Mr. Dietrich-Walrab von Buttlar resigned from their positions on the Supervisory Board with effect from October 18, 2007.

All members of the Supervisory Board will hold their positions until closure of the AGM on June 3, 2008, which will approve the actions of the Supervisory Board for the fiscal year 2007.

The total remuneration for the Supervisory Board for fiscal year 2007 amounted to EUR K 409 (2006: EUR K 383).

The following members of the company's Supervisory Board have additional supervisory board positions or seats for comparable supervisory committees in Germany and abroad:

Johann Neunteufel

Member of the Supervisory Board for:

- Allgemeine Sparkasse Oberösterreich Bankaktiengesellschaft, Austria
- Oberösterreichische Technologie- und Marketinggesellschaft m.b.H., Austria

Dr. Ulrich Wacker

Member of the Supervisory Board of Wacker Beteiligungs GmbH & Co. KG, Germany

Dr. Eberhard Kollmar

Member of the Supervisory Board of Wacker Beteiligungs GmbH & Co. KG, Germany

Kurt Helletzgruber

Deputy Chairman of the Supervisory Board of ProRegio Mittelstandsfinanzierungs AG, Austria

Remuneration for former board members

The total remuneration for former members of the management body in the period under review amounted to EUR K 280.

34 Related party disclosures

Within the scope of its business operations, Wacker Construction Equipment AG provides goods and services to affiliated companies or persons. Vice-versa, these persons and companies provide goods or services to Wacker Construction Equipment AG within the scope of their business operations. In addition to such customary trade relations, management services are also provided and paid for. All these transactions are carried out in conformity with market conditions.

The controlling interest is held by Wacker Familiengesellschaft mbH & Co. KG, Munich.

Trade relations with Wacker-Werke GmbH & Co. KG

Wacker Werke GmbH & Co. KG procures goods from Wacker Construction Equipment AG with a mark-up of ten percent on Wacker Construction Equipment AG manufacturing costs. This is within the range of conditions also agreed with third parties. In fiscal 2007, the amount of EUR K 935 (net before value-added tax) (previous year: EUR K 701) was invoiced to Wacker-Werke GmbH & Co. KG.

In addition to this, Wacker-Werke GmbH & Co. KG provided consultation services regarding the sale of concrete technology facilities in Germany and abroad. The legal work was handled by affiliates of Wacker Construction Equipment AG and by Wacker Construction Equipment AG itself. The commission which Wacker-Werke GmbH & Co. KG received for these services amounted to EUR K 757 (net before value-added tax) (previous year: EUR K 576).

In the period under review, Wacker-Werke GmbH & Co. KG received commissions for repair work performed by Wacker Construction Equipment AG on equipment delivered by Wacker-Werke GmbH & Co. KG to the amount of EUR K 21 (net before value-added-tax) (previous year: EUR K 23).

Wacker-Werke GmbH & Co. KG also provided other services for Wacker Construction Equipment AG in the amount of EUR K 108 (net before value-added tax) (previous year EUR K 41). The services involved were mainly in the areas of advertising, equipment deliveries and cost transfers. At the end of 2007, Wacker Construction Equipment AG acquired Wacker-Werke GmbH & Co. KG's exclusive customer group "sand, gravel and stone factories" in order to integrate this group into its sales network. Wacker Construction Equipment AG paid EUR K 98 for this transfer.

Further contracts with Wacker-Werke GmbH & Co. KG

In addition to the trade relations previously described, Wacker Construction Equipment AG provides services in areas such as sales, logistics, repairs, IT and human resources to Wacker-Werke GmbH & Co. KG in line with the cooperation agreement dated October 1, 2002. The agreement conditions reflect generally accepted market conditions. In fiscal 2007, EUR K 38 (net before value-added tax) (previous year: EUR K 43) was invoiced.

Administrative services

Wacker Construction Equipment AG provides administrative services to all associated companies. These include bookkeeping services and the preparation of annual financial statements. Such services are billed at hourly rates of EUR 50 (previous year: EUR 50), as is customary in the market. In fiscal 2007, EUR K 1 (net before value-added tax) (previous year: EUR K 19) was invoiced.

Clearing accounts

Wacker Construction Equipment AG maintains clearing accounts for all associated companies for the settlement of short-term expenses. Due to their short-term nature, the clearing accounts do not yield interest.

Trade relations between companies of the NEUSON

KRAMER Baumaschinen AG subgroup

Trade relations exist between companies in the NEUSON KRAMER Baumaschinen AG subgroup and the group controlled by Johann Neunteufel. These relations are handled according to conditions customary in the market. NEUSON KRAMER Baumaschinen AG subgroup sales generated through trade with Neuson Hydraulik Gesellschaft m.b.H., Neuson Ölfeldschieber Gesellschaft m.b.H. and Neuson Ecotec GmbH and Friedrich Reiter GmbH amounted to EUR K 63 in the fourth quarter of 2007. Sales for the aforementioned companies resulting from trade with the Neuson Kramer subgroup totaled EUR K 24 in the fourth quarter of 2007.

The balances of non-consolidated companies in the Neuson Kramer subgroup are as follows:

in € K (non-consolidated)	Dec. 31, 2007 Receivables/ liabilities	Trade trans- actions in 2007
Prose d.o.o.	702	108
Haus und Wohnen Immobilien GmbH	122	318
Kramer Wohnungsbau GmbH	- 31	1
Total	793	427

License to use the "Neuson" brand

The PIN Private Trust (PIN Privatstiftung), controlled by Johann Neunteufel, owns the "Neuson" brand. Wacker Construction Equipment AG is entitled to use this brand free of charge in conjunction with the name "Wacker".

Rental agreement

EUROREAL Immobilien GmbH rents land in Austria to companies within the NEUSON KRAMER Baumaschinen AG subgroup. The land is rented in line with conditions customary in the market. The rent in the fourth quarter of 2007 was EUR K 227.

EUROREAL Immobilien GmbH also granted an option for renting a neighboring tract of land. An annual consideration of EUR K 105 was agreed for this option. This amount is already contained in the aforementioned rental payments.

Other business relations

The transfer agreement dated March 14, 2007 resulted in NEUSON Baumaschinen GmbH transferring 100 percent of its shares in Neuson Ecotec GmbH in exchange for EUR 2.7 million to the PIN Private Trust (PIN Privatstiftung) founded by Johann Neunteufel under Austrian law. Johann Neunteufel is the main beneficiary of this trust.

Under the terms of the transfer agreements from June 24, 2004, May 20, 2005, and March 17, 2006, the PIN Private Trust transferred shares in Neuson Baumaschinen GmbH to NEUSON KRAMER Baumaschinen AG in exchange for a total EUR 23.1 million. These shares corresponded to a 5-percent interest respectively (and therefore a total of 15 percent).

NEUSON Baumaschinen GmbH provides bookkeeping services to members of the group controlled by Johann Neunteufel at conditions customary in the market. This resulted in EUR K 4 in the fourth quarter of 2007.

Further information

At December 31, 2007, receivables from shareholders totaled EUR K 124 (2006: EUR K 21). These receivables originate from trade transactions in fiscal 2007 in the amount of EUR K 103 (2006: EUR K 3).

The Curt Wacker foundation provides voluntary support and pension benefits for employees of Wacker Construction Equipment AG. As of December 31, 2007, receivables vis-à-vis the Curt Wacker foundation amounted to EUR K 60. Provision is made for obligations vis-à-vis the Curt Wacker foundation. As of December 31, 2007, the provision amounts to EUR K 209 (2006: EUR K 209).

The members of the management body and the Supervisory Board of Wacker Construction Equipment AG represent the uppermost level of company management and supervision and are responsible for the planning, management and supervision of the activities of Wacker Construction Equipment AG. The total remuneration for the management body of Wacker Construc-

tion Equipment AG in the period under review amounted to EUR K 3,505 (previous year: EUR K 2,404). The total remuneration accruing to the Supervisory Board of Wacker Construction Equipment AG in the period under review amounted to EUR K 409 (previous year: EUR K 383).

Retirement commitments were agreed upon for members of the Executive Board. The value of pension obligations at the end of the accounting period totaled EUR K 8,311 (2006: EUR K 7,289). The allocation amounted to EUR K 1,644 (previous year: EUR K 961).

Due to labor law agreements, former CEO Dr. Ulrich Wacker will be paid an interim allowance until he attains retirement age. Wacker Construction Equipment AG created a provision in the amount of EUR K 513 (previous year: EUR K 761) on December 31, 2007 for this purpose. In fiscal 2007, EUR K 280 (previous year: EUR K 376) was paid to Dr. Ulrich Wacker. A pension agreement was concluded for former CEO of NEUSON KRAMER Baumaschinen AG, Mr. Johann Neunteufel. The value of pension obligations at the end of the accounting period totaled EUR K 65.

35 Auditor's fee

The auditor's fee is disclosed as an expense in fiscal 2007 and is broken down as follows:

in € K	
Auditing services	286
Other approval and assessment services	600
Tax consultation services	55
Other services	55

36 Declaration regarding the Corporate Governance Codex

The Executive and Supervisory Boards have issued a declaration stating which recommendations of the "Commission of the German Corporate Governance Code" have been and will be adopted. The declaration is permanently available to shareholders.

37 Release for publication

The Consolidated Financial Statements for Wacker Construction Equipment AG for the year ending December 31, 2007 have been released for publication on March 31, 2008 by resolution of the Executive Board.

**Responsibility statement by the management
(statement in accordance with section 37y of the
German Securities Trading Act (WpHG) in con-
junction with section 37v, paragraph 2, number 3
of WpHG; section 315, paragraph 1, clause 6
of the German Commercial Code (HGB))**

To the best of our knowledge, we confirm that this Group Management Report outlining business developments along with financial results and the Group's position gives a true and fair view of the Company's situation, further that it suitably presents and assesses the opportunities and risks of the Group's future development and describes the assumptions on which these assessments and projections are made.

Munich, March 31, 2008

The Executive Board

Dr. Ing. Georg Sick
(CEO and President)

Martin Lehner
(Deputy CEO)

Richard Mayer

Günther C. Binder

Werner Schwind

Unqualified Auditors' Opinion

We have audited the Consolidated Financial Statements prepared by Wacker Construction Equipment AG, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the Consolidated Financial Statements, together with the Group Management Report for the reporting period from January 1 through December 31, 2007.

The preparation of the Consolidated Financial Statements and the Group Management Report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the Consolidated Financial Statements and on the Group Management Report based on our audit.

We have conducted our audit of the Consolidated Financial Statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the "Institut der Wirtschaftsprüfer" (Institute of Public Auditors in Germany). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the Consolidated Financial Statements in accordance with the applicable financial reporting framework and in the Group Management Report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the Consolidated Financial Statements and the Group Management Report are examined primarily on a test basis within the framework of the audit. The audit

includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as the evaluation of the overall presentation of the Consolidated Financial Statements and the Group Management Report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion and based on the findings of our audit, the Consolidated Financial Statements comply with IFRS as adopted by the EU and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group Management Report is consistent with the Consolidated Financial Statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 31, 2008

Rölfs WP Partner AG
Wirtschaftsprüfungsgesellschaft

Reinke
Wirtschaftsprüfer
(Public Auditor)

Dr. Wenk
Wirtschaftsprüfer
(Public Auditor)

Technical Glossary

Attached compactors	These soil compaction machines are attached to the boom of an excavator.
Breakaway force	The force exerted by the bucket joint of an excavator or wheel loader applied to the tip of the bucket.
Breaker	Breakers used in the demolition business field for drilling, breaking and railroad tie tamping. Wacker offers breakers with a gasoline driven or an electric engine.
CAD	Comuter Aided Design refers to the use of computer-enabled drawings, drafts and visualizations to help design products and machinery.
Compact Equipment	Wacker Group's strategic business segment covering equipment of up to fourteen tons, particularly wheel loaders, compact loaders, telescopic loaders, mini-excavators and dumpers.
Compact loader	Compact construction machine with small turning radius, used to transport material on construction sites.
Concrete technology	Business field in the light equipment segment. The equipment in this field is mainly used for compacting concrete walls, ceilings and floors.
Cut-off saw	Hand-held saw powered by a petrol engine and equipped with a diamond blade. Used for demolition work.
Demolition	Business field in the light equipment segment. The equipment in this field is used to break or cut asphalt and concrete.
Digging force	The force exerted by the boom of an excavator or wheel loader applied to the tip of the bucket.
DIY sector	Construction equipment for use in private homes and gardens.
Dumpers	Compact construction machine primarily used for transport of materials on construction sites.
Exciter	The exciter creates the vibrations delivered by equipment such as vibratory plates and external vibrators. It uses an eccentric weight to do this.
External vibrator	Used in concrete compaction, primarily on construction sites and in prefabricated concrete work. Equipped with specially built electrical motors and unbalanced mass, these devices are attached to the concrete formwork and generate high-frequency vibrations.
Floor saw	Hand-operated device equipped with a diamond blade, mainly used for cutting concrete and asphalt floors.
Focus factory	Element of Wacker's manufacturing concept, where production is organized by business field. Each factory, staffed by a specialized team, is responsible for producing a single product group.
(Frequency) converter	Used in conjunction with internal or external vibrators in concrete technology. These devices convert the main frequency to increase the revolution speed of connected equipment.
Heavy equipment	Large construction machinery defined by Wacker as having a total weight of over fifteen tons, typically transported to construction sites for specific projects and operated by specially trained employees.
Hydronic heating equipment	Mobile heating equipment to thaw frozen ground or heat buildings, making construction work less dependent on weather conditions.

Internal vibrator	Used for concrete compaction, mainly on construction sites. The device consists of eccentric weights driven by an electrical motor, arranged in a waterproof steel tube for submersion in fresh concrete.
Light Equipment	Wacker Group's strategic business segment. Covers predominantly handheld and handguided devices as well as remote-controlled or ride-on equipment of up to around three tons.
Low-noise vibratory table	Vibrating steel mold for premanufacturing flat concrete parts optimized by numerical simulation to minimize noise emissions. Wacker is currently launching low-noise vibratory tables in the concrete technology field.
Mainstream construction	Area of the construction industry primarily concerned with construction of new buildings, major restructuring and trench and highway construction.
Mini-excavator	Compact construction machine weighing up to eight tons, used to excavate pits and trenches and move backfill and other materials.
Rebar cutter	Metal rods for reinforced concrete can be cut to measure with rebar cutters.
Reconstruction	Area of the construction industry that covers renovation of existing buildings.
Smart Control system	Some Wacker Neuson soil compaction machines come with a Smart Control system that uses an infrared signal with line-of-sight control. This means the machine is automatically turned off in dangerous situations, e.g. if the operator does not have line of sight.
Soil and asphalt compaction	Business field in the light equipment segment. The equipment in this field is mainly used for compacting soil and asphalt in the construction process of trenches, roads, paths, foundations and industrial buildings.
Telescopic loader	Compact construction machine used to lift material.
Tracked and wheeled excavators	Tracked excavators are particularly suited to rough or uneven terrain due to their tracks. Wheeled excavators offer optimum mobility on roadways because of their wheels.
Trowel	Used in concrete technology for surface smoothing, especially of freshly laid concrete flooring, e.g. in industrial buildings.
Utility	Wacker Group's business field in the light equipment segment. The equipment in this field is used to support construction-site activities.
Vibratory plate	Soil and asphalt compaction device, mainly used to compact pipeline trenches and paving stones. The machines are also used to support rollers in the compaction process of area and asphalt compaction.
Vibratory rammer (also rammer)	First developed in the 1930s, this pioneering Wacker product is used in soil and asphalt compaction, particularly in small spaces and narrow trenches.
(Vibratory) roller	Soil and asphalt compaction product. Trench rollers are mainly used for high-performance compaction of trenches, and smooth drum tandem rollers for asphaltting sidewalks, parking lots and streets.
Wet screed	Concrete technology equipment mainly used to manufacture large concrete floors, simultaneously leveling and compacting fresh concrete.
Wheel loader	Compact construction machine primarily used to transport materials. Loaders are equipped with steering wheels and the front and back end is linked by an articulated joint.

Financial Glossary

Benchmark method	Method for evaluating reference or comparative values (standard procedure).
Cash flow	As part of the impairment test according to IAS (see below), a cash-generating unit is the smallest identifiable group of assets that generates cash inflows for the Group.
Cash flow from financing activities	Cash balance resulting from changes to financial liabilities, cash inflow from disposals/cash outflow from the acquisition of treasury shares and dividend payments.
Cash flow from investment activities	Cash balance resulting from the acquisition or disposal of financial and tangible assets.
Cash flow from operating activities	Cash flow generated from operating activities.
Corporate governance	Sound and responsible management and control of a company with the aim of creating long-term value.
Deferred taxes	Refer to future tax liabilities or assets, resulting from temporary differences between book (accounting) value of assets and liabilities and their tax value.
Derivatives	Derivatives are financial instruments, such as futures and options, that derive their value from the value of other financial instruments or an underlying asset.
Discounted cash flow (DCF) method	Valuation method used to estimate the market value by discounting a company's future cash flows to their present value.
Earnings per share	EPS is defined as net profit for the year divided by the number of shares.
EBIT	Earnings Before Interest and Taxes.
EBIT margin	Ratio of EBIT to sales.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization.
EBITDA margin	Ratio of EBITDA to sales.
EBT	Earnings Before Taxes.
Equity capital quota	Ratio of equity capital to total capital; indicates the financial stability of a company.
Fair value	Value of assets and liabilities at standard market value.
Free cash flow	Free cash flow refers to the amount of cash readily available to a company.
Goodwill	The difference between the purchase price of an acquired company and the value of the individual assets acquired less liabilities at the time of acquisition.

Gross profit	Gross profit expressed as a percentage of total revenue, remaining after deducting manufacturing costs. It gives an indication of a company's cost-efficiency.
Hedge	Provides protection against risk arising from unfavorable exchange rate and price changes.
IFRS (IAS)	International Financial Reporting Standards. Internationally recognized and applied accounting standards devised by the International Accounting Standards Board (IASB) in an effort to harmonize accounting standards and principles worldwide.
IPO	Initial Public Offering.
Interest rate swap	An interest rate swap is an agreement between two parties to exchange interest rate cash flows at a future point in time. The agreement also defines how the payments are calculated and when they are made.
Perception analysis	Perception analyses are used to capture stakeholder perceptions with a view to increasing the focus, efficiency and relevance of Investor Relations activities, also measuring the success of existing measures.
PPA	(Purchase Price Allocation) This refers to the process whereby the price paid for a company is allocated at fair value to the assets, liabilities and contingent liabilities acquired.
Project Unit Credit Method	The objective of this IAS 19 standard is to prescribe the accounting and disclosure of employee benefits. Obligations from defined benefit plans are disclosed according to this method, taking expected future benefit and pension adjustments into consideration.
Working capital	The difference between short-term assets and short-term liabilities; the working capital ratio is a key indicator of the liquidity of a company.

Income Statements

Wacker Construction Equipment AG and NEUSON KRAMER Baumaschinen AG

in € K	Jan. 1–Dec. 31, 2007	Jan. 1–Dec. 31, 2006
Wacker¹		
Revenue	658,195	619,277
Cost of sales	- 386,341	- 363,544
Gross profit	271,854	255,733
Sales and service expenses	- 135,427	- 123,919
Research and development expenses	- 18,395	- 16,090
General administrative expenses	- 44,860	- 45,333
Other income	7,627	9,705
Other expenses	- 2,581	- 3,434
Profit before interest and tax (EBIT)	78,218	76,662
Financial result	146	- 509
Profit before tax (EBT)	78,364	76,153
Taxes on income	- 24,026	- 27,605
Profit before disc. operations, minority interests	54,338	48,548
Result from discontinued operations	0	0
Minority interests	0	0
Profit for the period	54,338	48,548
Depreciation and amortization	27,861	23,560
EBITDA	106,079	100,222

¹ Excluding Neuson Kramer subgroup

in € K	Feb. 1–Dec. 31, 2007	Feb. 1, 2006– Jan. 31, 2007
Neuson Kramer²		
Revenue ³	329,924	264,001
Cost of sales	- 238,723	- 190,894
Gross profit	91,201	73,107
Sales and service expenses	- 18,115	- 13,940
Research and development expenses	- 5,163	- 4,858
General administrative expenses	- 15,887	- 11,245
Other income	3,992	3,767
Other expenses	- 1,517	- 1,539
Profit before interest and tax (EBIT)	54,511	45,292
Financial result	- 2,012	5,391
Profit before tax (EBT)	52,499	50,683
Taxes on income	- 16,882	- 13,981
Profit before disc. operations, minority interests	35,617	36,702
Result from discontinued operations	- 3	0
Minority interests	- 787	- 900
Profit for the period	34,827	35,802
Depreciation and amortization	4,080	3,545
EBITDA	58,591	48,837

² 11 months only for NEUSON Baumaschinen GmbH (2007)

³ Revenue in cost of sales format. 2006/2007 revenue in total expenditure format: € K 262,462.

Wacker Neuson

in € K	Jan. 1–Dec. 31, 2007	Purchase price allocation	Jan. 1–Dec. 31, 2007	Jan. 1–Dec. 31, 2006
Overview of PPA¹ (incl. Q4 Neuson Kramer)	without PPA		with PPA	Wacker ²
Revenue	742,062	0	742,062	619,277
Cost of sales	- 448,911	- 10,619	- 459,530	- 363,544
Gross profit	293,151	- 10,619	282,532	255,733
Sales and service expenses	- 140,090	0	- 140,090	- 123,919
Research and development expenses	- 20,020	- 790	- 20,810	- 16,090
General administrative expenses	- 48,205	- 84	- 48,289	- 45,333
Other income	8,421	0	8,421	9,705
Other expenses	- 2,859	0	- 2,859	- 3,434
Profit before interest and tax (EBIT)	90,398	- 11,493	78,905	76,662
Financial result	- 582	- 78	- 660	- 509
Profit before tax (EBT)	89,816	- 11,571	78,245	76,153
Taxes on income	- 27,622	3,480	- 24,142	- 27,605
Profit before disc. operations, minority interests	62,194	- 8,091	54,103	48,548
Result from discontinued operations	0	0	0	0
Minority interests	- 162	185	23	0
Profit for the period	62,032	- 7,906	54,126	48,548
Depreciation and amortization	29,179	8,902	38,081	23,560
EBITDA	119,577	- 2,591	116,986	100,222
Overview of PPA (pro forma)	without PPA		with PPA	with PPA
Revenue	979,534	0	979,534	883,152
Cost of sales	- 618,939	- 14,141	- 633,080	- 567,942
Gross profit	360,595	- 14,141	346,454	315,210
Sales and service expenses	- 153,542	0	- 153,542	- 137,866
Research and development expenses	- 23,558	- 3,161	- 26,719	- 23,710
General administrative expenses	- 60,170	- 335	- 60,505	- 56,583
Other income	11,042	0	11,042	13,472
Other expenses	- 4,098	0	- 4,098	- 4,973
Profit before interest and tax (EBIT)	130,269	- 17,637	112,632	105,550
Financial result	- 1,866	- 312	- 2,178	4,638
Profit before tax (EBT)	128,403	- 17,949	110,454	110,188
Taxes on income	- 40,293	5,365	- 34,928	- 36,708
Profit before disc. operations, minority interests	88,110	- 12,584	75,526	73,480
Result from discontinued operations	- 3	0	- 3	0
Minority interests	- 787	303	- 484	- 726
Profit for the period	87,320	- 12,281	75,039	72,754
Depreciation and amortization	31,941	12,842	44,783	37,209
EBITDA	162,210	- 4,795	157,415	142,759

¹ PPA = Purchase price allocation. Purchase price allocation describes the process where purchase costs resulting from acquisitions are allocated to individually acquired assets, liabilities and contingent liabilities, which are measured at fair value.

² Excluding Neuson Kramer subgroup

Publishing Details/Financial Calendar

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Financial Calendar 2008

April 10, 2008	Publication of financial results 2007, Press conference, Analyst conference
May 15, 2008	Publication of first-quarter report for fiscal 2008
June 3, 2008	AGM, Munich
August 14, 2008	Publication of half-year report for fiscal 2008
November 11, 2008	Publication of nine-month report for 2008

Disclaimer

This Annual Report contains forward-looking statements which are based on the current estimates and assumptions by the corporate management of Wacker Construction Equipment AG. 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 anyway guaranteeing that those expectations will turn out to be accurate. Future performance and the results actually achieved by Wacker Construction Equipment AG and its affiliated companies depend on a number of risks and uncertainties and may therefore differ materially from the forward-looking statements. Many of these factors are outside Wacker's control and cannot be accurately estimated in advance, such as the future economic environment and the actions of competitors and others involved in the marketplace. Wacker neither plans nor undertakes to update any forward-looking statements.

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