

Q1/2016

Quarterly report



Wacker Neuson
Group

Figures at a glance

JANUARY 1 THROUGH MARCH 31

IN € MILLION

	Jan. 1–Mar. 31, 2016	Jan. 1–Mar. 31, 2015	Change ¹
Key figures			
Revenue	316.4	324.3	-2% (-1%)
by region			
Europe	227.4	231.3	-2% (-1%)
Americas	71.6	83.9	-15% (-14%)
Asia-Pacific	17.4	9.1	91% (98%)
by business segment ²			
Light equipment	91.7	100.0	-8% (-7%)
Compact equipment	165.2	166.1	-1% (0%)
Services	63.5	62.5	2% (3%)
EBITDA	34.0	47.4	-28%
Depreciation and amortization	16.7	15.7	6%
EBIT	17.3	31.7	-45% (-45%)
EBT	15.7	30.2	-48%
Profit for the period	11.1	21.3	-48% (-47%)
Number of employees	4,646	4,477	4%
Share			
Earnings per share in €	0.16	0.30	-48%
Dividends per share in €	0.50 ³	0.50	0%
Key profit figures			
Gross profit as a %	27.5	29.7	-2.2 PP
EBITDA margin as a %	10.7	14.6	-3.9 PP
EBIT margin as a %	5.5	9.8	-4.3 PP
Cash flow			
Cash flow from operating activities	-6.1	-20.6	-70%
Cash flow from investment activities	-29.7	-25.4	17%
Capital expenditure (property, plant and equipment and intangible assets)	-30.4	-25.8	18%
Cash flow from financing activities	27.3	50.8	-46%
Free cash flow	-35.8	-45.9	-22%

	Mar. 31, 2016	Dec. 31, 2015	Change Dec. 31, 2015	Mar. 31, 2015	Change Mar. 31, 2015
Key figures from the balance sheet					
Non-current assets	858.5	850.7	1%	834.4	3%
Current assets	722.8	701.4	3%	761.4	-5%
Equity before minority interests	1,062.4	1,064.1	0%	1,064.5	0%
Net financial debt	234.6	199.1	18%	225.5	4%
Liabilities	513.8	483.1	6%	526.6	-2%
Equity ratio before minority interests as a %	67.2	68.6	-1.4 PP	66.7	0.5 PP
Working capital	599.2	574.5	4%	625.4	-4%

¹ In brackets: adjusted to discount currency effects.

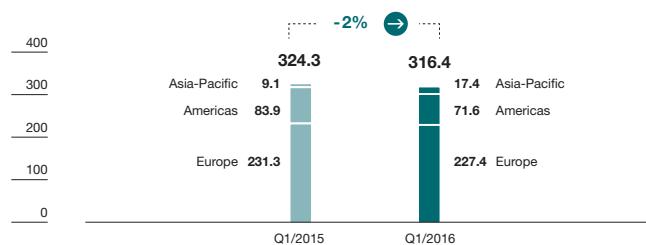
² Consolidated revenue before cash discounts.

³ Dividend proposal for the AGM on May 31, 2016.

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

REVENUE DEVELOPMENT BY REGION

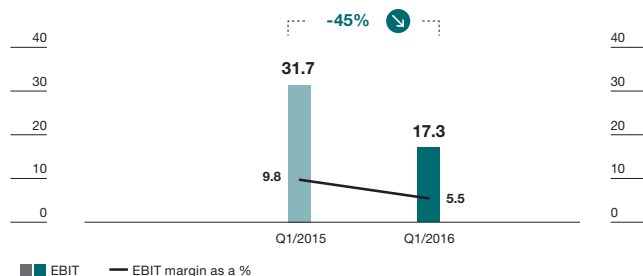
IN € MILLION



EBIT

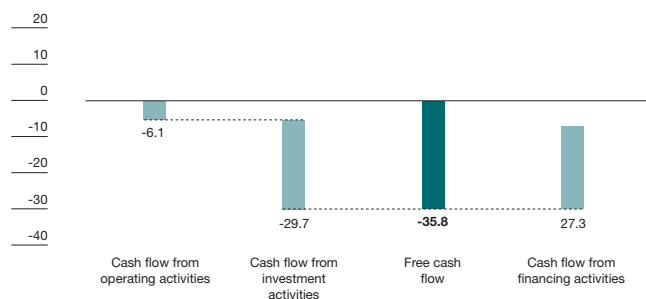
IN € MILLION

AS A %



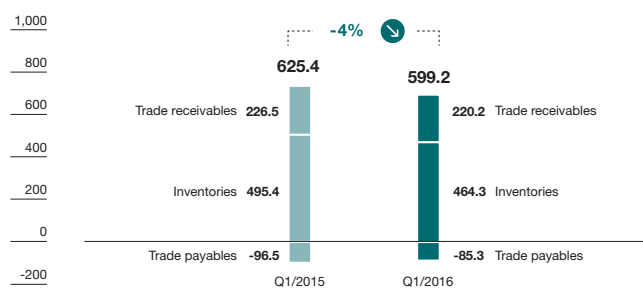
CASH FLOW

IN € MILLION



WORKING CAPITAL

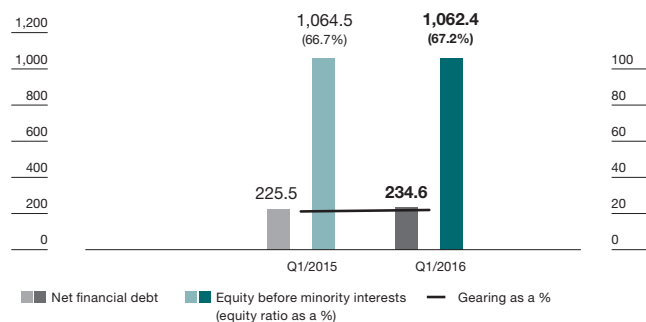
IN € MILLION



BALANCE SHEET RATIOS

IN € MILLION

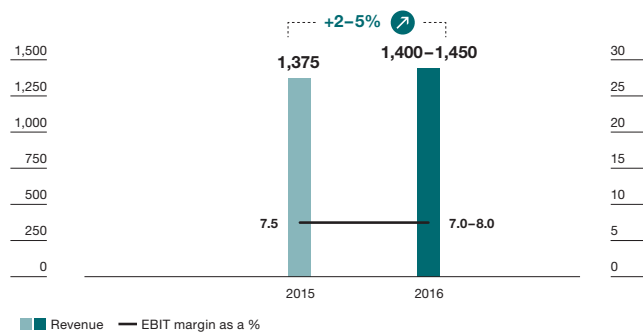
AS A %



FORECAST FISCAL YEAR 2016

IN € MILLION

AS A %





Cem Peksaglam
CEO

Dear readers,

The bauma trade fair, which is held in Munich every three years, recently drew to a highly successful close for us. We launched a host of new products and presented many new concepts to customers at our stand, all of which were very well received. However, even this meaningful event cannot disguise the harsh reality facing many of our target markets at present.

As expected, the first quarter of 2016 proved a challenging start to the year for our company. Despite the difficult conditions, we managed to keep revenue at almost the same level as the prior-year quarter, which was a record-breaking period for us in terms of revenue. Our profit, however, contracted considerably. This was primarily due to weak markets causing a less favorable regional and product mix relative to the previous year.

Demand for our light equipment in the raw materials and energy sectors, for example, remained subdued, especially in North America, where the oil and gas industry has almost come to a complete standstill. There were also delays in production of our compact equipment in the US. These were caused by quality issues with suppliers and have now been resolved.

South America, Brazil in particular, continues to be hit by political and economic crises. In spite of this, our new assembly facility for mobile generators went on stream in April. This is a major market in South America and beyond, one that will continue to grow over the coming years.

In Europe, as expected, trade in equipment for the agricultural sector in particular remained below the prior-year level. Revenue for the first quarter also decreased in eastern European countries and in the UK. This was because the prior-year quarter was a period of very strong growth for us and the comparable level therefore relatively high.

We are also seeing positive trends, however. In France, for example, our revenue has risen significantly following the dramatic slump over the past year. Demand in central and northern Europe was robust and southern European countries improved on the previous year's performance.

In Asia-Pacific, we almost doubled our revenue for the first quarter. Whereas demand for large machines is contracting overall in China, the market for our compact machinery is on a clear growth path. The revenue growth has also been favorably affected by one-off seasonal items, however, which will balance out over the course of the year. Australia, a country that is dependent on raw material prices, continued to suffer from the crisis in the mining industry and unfavorable general economic climate.

Additionally, the introduction and implementation of new emissions regulations for diesel engines has driven costs up. Also the currency situation has worsened compared to the previous year. Both effects dampened group profits further.

Our current order situation, positive trends in Europe, infrastructure programs in Germany and, not least, the positive mood among many national and international customers at bauma give us every reason to believe that we will be able to compensate for the weak first quarter over the course of the year, particularly in the second half of the year. We therefore remain committed to the forecast for the year that we issued in mid-March.

Our Annual General Meeting will be taking place in Munich on May 31, 2016. We will propose a dividend in the amount of EUR 0.50 per share to our shareholders. This is the same as the previous year's payout and reflects our confidence in our earnings potential and the success of our corporate strategy.

We would like to thank our shareholders and employees for the trust and loyalty they have shown us.

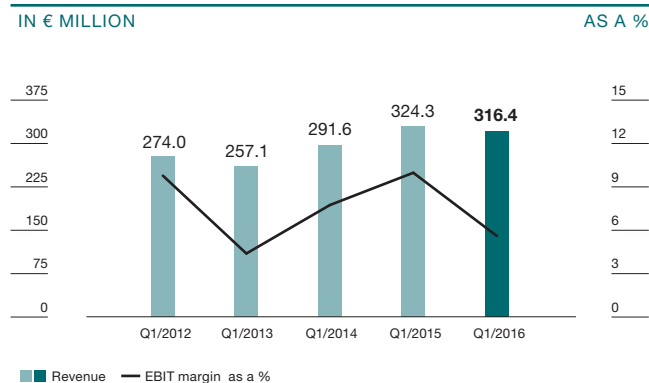
Best regards,



Cem Peksaglam
CEO, Wacker Neuson SE

Business trends in Q1 2016

DEVELOPMENT OF REVENUE AND EBIT MARGIN Q1 2012–2016



Revenue and earnings

Despite challenging conditions such as the ongoing crises in the energy and agricultural sectors, the Wacker Neuson Group succeeded in maintaining Q1 2016 revenue more or less on a par with the strong figure reported for the same period last year. At EUR 316.4 million, revenue was just 2.4 percent below the prior-year quarter (previous year: EUR 324.3 million). Adjusted to discount currency effects, this corresponds to a decrease of 1.3 percent.

Manufacturing costs for the first three months of the year rose 0.7 percent to EUR 229.4 million (previous year: EUR 227.9 million). This increase was fueled by a number of factors including currency effects. Gross profit for the first quarter fell 9.8 percent to EUR 87.0 million (previous year: EUR 96.5 million). The gross profit margin amounted to 27.5 percent (previous year: 29.7 percent).

Operating costs (discounting other operating income/expenses) rose 0.4 percent to EUR 71.1 million in the first quarter of 2016. Their share of revenue thus amounted to 22.5 percent (previous year: 21.8 percent). Other operating income/expenses fell from EUR 6.0 million to EUR 1.3 million. This was primarily due to higher income from foreign currency in the first quarter of 2015.

Write-downs in the first quarter of 2016 amounted to EUR 16.7 million (previous year: EUR 15.7 million) and thus corresponded to 5.3 percent of revenue (previous year: 4.8 percent). Profit before interest and tax (EBIT) in the first quarter dropped 45.4 percent to EUR 17.3 million (previous year: EUR 31.7 million). Adjusted to discount currency effects, this corresponds to a drop of 45.0 percent. The EBIT margin narrowed to 5.5 percent (previous year: 9.8 percent).

The fall in earnings was caused by the following factors:

- A much less favorable regional and product mix on almost the same revenue.
- Ongoing crises in emerging markets.
- Crises in key industries (agriculture, the oil and gas market, mining).
- Increased price pressure in competitive markets.
- Delays in compact equipment production in the US due to quality issues with suppliers.
- Increased expenses associated with the implementation of new emissions regulations in North America and Europe.
- Noticeably fewer currency gains than in the previous year under the item "Other operating income/expenses".

The financial result for the period under review amounted to EUR -1.6 million (previous year: EUR -1.5 million). Tax expenditure amounted to EUR 4.4 million (previous year: EUR 8.7 million). The tax rate was thus 28.2 percent (previous year: 28.8 percent).

Net profit for the first three months of 2016 was EUR 11.1 million and thus 47.9 percent lower than the prior-year figure of EUR 21.3 million. Adjusted to discount currency effects, this corresponds to a drop of 46.6 percent. Earnings per share thus amounted to EUR 0.16 (previous year: EUR 0.30).

Financials and assets

Cash flow from operating activities increased relative to the prior-year quarter to EUR -6.1 million, primarily due to the reduction in working capital¹ by the close of March 2016 (previous year: -20.6 million). Discounting investments in working capital, cash flow from operating activities amounted to EUR 29.7 million (previous year: EUR 38.1 million).

Cash flow from investment activities came to EUR -29.7 million in the first quarter of 2016 (previous year: EUR -25.4 million). The Group made investments in the amount of EUR 30.4 million, of which EUR 26.7 million was channeled into property, plant and equipment. This includes investments in the Group's rental fleet in Europe and investments in technical equipment. At EUR -35.8 million, free cash flow² was also negative at the close of the first quarter of 2016 (previous year: EUR -45.9 million).

Cash flow from financing activities came to EUR 27.3 million (previous year: EUR 50.8 million).

Working capital amounted to EUR 599.2 million in the first three months of 2016 (+4.3 percent relative to December 31, 2015: EUR 574.5 million; -4.2 percent relative to March 31, 2015: EUR 625.4 million). The ratio of working capital to annualized

¹ Working capital = inventory + trade receivables - trade payables.

² Free cash flow = cash flow from operating activities + cash flow from investment activities.

SALES AND EBIT BY REGION

IN € MILLION

	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Europe		Americas		Asia-Pacific		Consolidation		Group	
Q1										
Total sales	409.7	409.0	173.6	219.8	20.4	18.2			603.7	647.0
Sales to third parties	227.4	231.3	71.6	83.9	17.4	9.1			316.4	324.3
EBIT	20.7	35.9	-1.5	8.3	0.1	1.8	-2.0	-14.3	17.3	31.7
EBIT margin ¹ (as a %)	9.1	15.5	-2.1	9.9	0.6	19.8			5.5	9.8

¹ EBIT margin on sales to third parties.

revenue amounted to 47.3 percent and was thus lower than the previous year's ratio (previous year: 48.2 percent).

Group equity before minority interests amounted to EUR 1,062.4 million, which resulted in an equity ratio before minority interests of 67.2 percent. EUR 89.9 million of the Schuldschein loan placed in 2012 will be due on February 27, 2017. As a result, this amount was moved from non-current financial liabilities to short-term borrowings from banks. Net financial debt¹ increased to EUR 234.6 million (December 31, 2015: EUR 199.1 million; March 31, 2015: EUR 225.5 million). Gearing² is reported at 22.1 percent (December 31, 2015: 18.7 percent; March 31, 2015: 21.2 percent).

Results by region

Europe

In the first three months of 2016, revenue in Europe³ fell 1.7 percent to EUR 227.4 million (previous year: EUR 231.3 million). When adjusted to discount currency effects, this corresponds to a drop of 0.6 percent. The region's share of total revenue amounted to 71.9 percent (previous year: 71.3 percent).

Business developed particularly well in France, with revenue increasing significantly following the dramatic slump in the previous year. The Group also reported revenue gains in Denmark, Italy, Austria and the Netherlands.

Profit before interest and tax (EBIT) in Europe fell to EUR 20.7 million (previous year: EUR 35.9 million).

The fall in revenue and earnings in this region was caused by the following factors:

- Low prices for foodstuffs such as milk continue to dampen willingness to invest among landholders in the European agricultural sector.
- The UK, Spain and eastern European countries such as the Czech Republic, Poland and Russia developed below expectations and below the previous year's level.
- Revenue in Germany contracted slightly. This was due to customers deferring orders from March to April as a result of the construction equipment tradeshow bauma in Munich.

- There were fewer currency gains than in the previous year under the item "Other operating income/expenses".

Americas

During the period under review, revenue in the Americas region fell 14.7 percent relative to the previous year to EUR 71.6 million (previous year: EUR 83.9 million). Discounting currency effects, revenue in the region decreased overall by 13.9 percent. The region's share of total revenue amounted to 22.6 percent (previous year: 25.9 percent). EBIT fell from EUR 8.3 million in the previous year to EUR -1.5 million.

The drop in revenue and earnings for the region was caused by the following factors:

- Demand from the oil and gas industry in Canada and the US has virtually collapsed due to the low price of oil.
- Willingness to invest in machines for the industrial agriculture sector in North America was significantly lower than in the previous year.
- The Group was not able to achieve planned revenue levels with compact equipment manufactured in the US due to quality issues with suppliers.
- The dollar's relatively strong rating had a negative impact on exports of products manufactured at the Group's North American plants.
- Current uncertainties in South America had an impact on demand, in particular in Brazil. Profit was affected by one-off start-up costs for the new mobile generator production facility in Brazil.

Asia-Pacific

In the Asia-Pacific region, revenue increased 91.2 percent from EUR 9.1 million in the previous year to EUR 17.4 million; adjusted to discount currency effects, this represents a rise of 97.6 percent. The region's share of total revenue was 5.5 percent (previous year: 2.8 percent). This almost 100-percent increase was largely fueled by China, where dealers of Wacker Neuson compact equipment were stocking up in the first quarter. EBIT amounted to EUR 0.1 million (previous year: EUR 1.8 million).

¹ Net financial debt = long- and short-term borrowings + current portion of long-term borrowings - marketable securities (if available and freely disposable) - cash and cash equivalents.

² Gearing = net financial debt/equity before minority interests.

³ Including South Africa, Turkey and Russia. The Wacker Neuson Group includes these countries in its Europe segment even though – geographically speaking – they are located outside of the region.

REVENUE BY BUSINESS SEGEMENT

IN € MILLION

	Q1/2016	Q1/2015	Change
Segment revenue			
Light equipment	91.7	100.0	-8.3%
Compact equipment	165.2	166.1	-0.5%
Services	63.5	62.5	1.6%
	320.4	328.6	-2.5%
Less cash discounts	-4.0	-4.3	-7.0%
Total	316.4	324.3	-2.4%

The drop in profit for the region was caused by the following factors:

- The crisis in the Australian raw materials sector, which has been ongoing for many years now and worsened further in the first quarter.
- The relocation of production from the Philippines plant to the German facility near Munich squeezed revenue and thus earnings reported by the Asian plant.
- A shift in the region's product mix.

Revenue in emerging markets¹ was 10.2 percent higher than that reported in the previous year. The region's share of total revenue in the first quarter of 2016 thus rose to 12.0 percent (previous year: 10.6 percent).

Business trends by segment

Light equipment

Light equipment revenue before cash discounts for the quarter decreased 8.3 percent to EUR 91.7 million (previous year: EUR 100.0 million). Currency effects played a bigger role here than with compact equipment as the light equipment segment has wider international reach. Adjusted to discount currency effects, revenue fell by 6.6 percent. The segment's share of total revenue amounted to 28.6 percent (previous year: 30.4 percent).

Sales of light equipment in North America were particularly affected by the downturn in the oil and gas sector. This segment was also impacted by crises in emerging markets and the mining sector.

Compact equipment

Compact equipment revenue before cash discounts fell to EUR 165.2 million. This is a 0.5 percent drop from the previous year's figure of EUR 166.1 million. Adjusted to discount currency effects, revenue grew by 0.3 percent. This segment's share of total revenue amounted to 51.6 percent (previous year: 50.6 percent).

At March 31, 2016, accumulated order intake for compact equipment (including orders for internal deliveries) was around 4 percent lower than that reported last year. The order backlog at the close of the quarter was around 5 percent below the previous year's level.

Revenue generated by agricultural equipment before cash discounts narrowed by 11.4 percent in the first quarter of 2016 to EUR 47.5 million (previous year: EUR 53.6 million). Agricultural compact equipment accounted for 14.8 percent of total revenue (previous year: 16.3 percent).

Services

In the first quarter of 2016, revenue before cash discounts in the services segment increased 1.6 percent to reach EUR 63.5 million (previous year: EUR 62.5 million). Adjusted to discount currency effects, this corresponds to a rise of 2.7 percent. This segment's share of total revenue amounted to 19.8 percent (previous year: 19.0 percent).

Outlook

The company has not identified any risks to the Wacker Neuson Group as at March 31, 2016 that deviate from the risk situation reported in the 2015 consolidated financial statements.

The current order situation, a positive business trend in core markets in Europe, municipal infrastructure programs in Germany, plus the positive mood evident at bauma indicate that business over the rest of the year could compensate for weak development in the first quarter. The Executive Board still predicts fiscal 2016 revenue between EUR 1.40 and EUR 1.45 billion (2015: EUR 1.38 billion) and an EBIT margin of between 7.0 and 8.0 percent (2015: 7.5 percent).

For the current fiscal year, the Group has earmarked around EUR 100 million in total for investments (2015: EUR 118 million). As in the previous year, the Wacker Neuson Group aims to fund investments with cash flow from operating activities and expects positive free cash flow at the close of the year.

¹ The term "emerging markets" refers to 35 countries according to the Dow Jones definition: Argentina, Bahrain, Brazil, Bulgaria, Chile, China, Colombia, Czech Republic, Egypt, Estonia, Hungary, India, Indonesia, Jordan, Kuwait, Latvia, Lithuania, Malaysia, Mauritius, Mexico, Morocco, Oman, Pakistan, Peru, Philippines, Poland, Qatar, Romania, Russia, Slovakia, South Africa, Sri Lanka, Thailand, Turkey, United Arab Emirates.

Consolidated Income Statement

JANUARY 1 THROUGH MARCH 31

IN € K			
	Jan. 1 – Mar. 31, 2016	Jan. 1 – Mar. 31, 2015	Change
Revenue	316,422	324,326	-2%
Cost of sales	-229,429	-227,876	1%
Gross profit	86,993	96,450	-10%
Sales and service expenses	-45,980	-45,240	2%
Research and development expenses	-8,855	-8,100	9%
General administrative expenses	-16,204	-17,485	-7%
Other income	8,748	13,318	-34%
Other expenses	-7,431	-7,272	2%
Profit before interest and tax (EBIT)	17,271	31,671	-45%
Financial income	411	533	-23%
Financial expenses	-1,981	-2,042	-3%
Profit before tax (EBT)	15,701	30,162	-48%
Taxes on income	-4,428	-8,693	-49%
Total profit/loss for the period	11,273	21,469	-47%
Of which are attributable to:			
Shareholders in the parent company	11,146	21,335	-48%
Minority interests	127	134	-5%
	11,273	21,469	-47%
Earnings per share in euros (diluted and undiluted)	0.16	0.30	-47%

Consolidated Balance Sheet

BALANCE AT MARCH 31

IN € K	Mar. 31, 2016	Dec. 31, 2015	Change
Assets			
Property, plant and equipment	419,380	419,326	0%
Property held as a financial investment	22,492	17,615	28%
Goodwill	237,862	238,282	0%
Other intangible assets	123,555	123,713	0%
Deferred tax assets	42,192	39,126	8%
Other non-current financial assets	10,720	10,784	-1%
Other non-current non-financial assets	2,256	1,902	19%
Total non-current assets	858,457	850,748	1%
Inventories	464,269	474,560	-2%
Trade receivables	220,199	180,035	22%
Tax offsets	4,641	4,597	1%
Other current financial assets	2,794	2,763	1%
Other current non-financial assets	14,673	14,451	2%
Cash and cash equivalents	16,272	25,019	-35%
Total current assets	722,848	701,425	3%
Total assets	1,581,305	1,552,173	2%
Equity and liabilities			
Subscribed capital	70,140	70,140	0%
Other reserves	598,177	611,060	-2%
Net profit/loss	394,055	382,909	3%
Equity attributable to shareholders in the parent company	1,062,372	1,064,109	0%
Minority interests	5,102	4,975	3%
Total equity	1,067,474	1,069,084	0%
Long-term borrowings	32,702	124,415	-74%
Deferred tax liabilities	32,334	33,537	-4%
Long-term provisions	53,469	48,158	11%
Total non-current liabilities	118,505	206,110	-43%
Trade payables	85,277	80,132	6%
Short-term borrowings from banks	217,779	99,308	119%
Current portion of long-term borrowings	404	375	8%
Short-term provisions	13,387	13,132	2%
Tax liabilities	662	3,210	-79%
Other short-term financial liabilities	22,282	27,704	-20%
Other short-term non-financial liabilities	55,535	53,118	5%
Total current liabilities	395,326	276,979	43%
Total liabilities	1,581,305	1,552,173	2%

Consolidated Cash Flow Statement

FOR THE PERIOD FROM JANUARY 1 THROUGH MARCH 31

IN € K

	Jan. 1 – Mar. 31, 2016	Jan. 1 – Mar. 31, 2015
EBT	15,701	30,162
Adjustments to reconcile profit before tax with gross cash flows:		
Depreciation and amortization	16,725	15,699
Other non-cash income/expenditure	5,405	-14,867
Gains/losses from sale of intangible assets and property, plant and equipment	-139	-415
Book value from the disposal of rental equipment	4,903	5,296
Actuarial losses from pension obligations	-4,118	-37
Financial result	1,570	1,509
Changes in misc. assets	-1,118	8,726
Changes in provisions	5,814	-374
Changes in misc. liabilities	1,878	6,625
Interest paid	-5,206	-5,096
Income tax paid	-12,074	-9,637
Interest received	399	469
Gross cash flow	29,740	38,060
Changes in inventories	1,725	-44,387
Changes in trade receivables	-43,378	-43,016
Changes in trade payables	5,827	28,773
Changes in working capital	-35,826	-58,630
Cash flow from operating activities	-6,086	-20,570
Purchase of property, plant and equipment	-26,738	-22,558
Purchase of intangible assets	-3,634	-3,216
Proceeds from the sale of property, plant and equipment, intangible assets and non-current assets held for sale	705	799
Change in consolidation structure	0	-398
Cash flow from investing activities	-29,667	-25,373
Free cash flow¹	-35,753	-45,943
Cash inflow/outflow from short-term/long-term borrowings	29,058	51,058
Repayments from short-term/long-term borrowings	-1,795	-249
Cash flow from financing activities	27,263	50,809
Increase/decrease in cash and cash equivalents	-8,490	4,866
Effect of exchange rates on cash and cash equivalents	-257	1,061
Change in cash and cash equivalents	-8,747	5,927
Cash and cash equivalents at beginning of period	25,019	14,200
Cash and cash equivalents at end of period	16,272	20,127

¹ Free cash flow = cash flow from operating activities + cash flow from investment activities.

Disclaimer

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

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