Q3/2017

Quarterly report

Wacker Neuson Group

Figures at a glance

JULY 1 THROUGH SEPTEMBER 30 AND JANUARY 1 THROUGH SEPTEMBER 30

IN € MILLION

	July 1-Sep. 30, 2017	July 1-Sep. 30, 2016	Change[1]	Jan. 1-Sep. 30, 2017	Jan. 1-Sep. 30, 2016	Change[1]
Key figures						
Revenue	378.7	315.7	20% (22%)	1,142.4	1,013.5	13% (13%)
by region						
Europe	280.4	239.8	17% (18%)	836.1	761.9	10% (10%)
Americas	88.3	67.1	32% (38%)	273.1	217.1	26% (25%)
Asia-Pacific	10.0	8.8	14% (18%)	33.2	34.5	-4% (-4%)
by business segment[2]						
Light equipment	102.6	89.9	14% (18%)	326.0	293.5	11% (11%)
Compact equipment	196.5	154.2	27% (29%)	601.0	520.8	15% (16%)
Services	86.6	78.1	11% (12%)	234.3	215.9	9% (8%)
EBITDA	58.2	37.5	55%	154.5	122.1	27%
Depreciation and amortization	18.2	17.1	6%	53.5	51.0	5%
EBIT	40.0 (43.1)[3]	20.4	96%	101.0 (108.1)[4]	71.1 (66.3)[5]	42%
EBT	43.2	17.7	144%	97.1	65.0	49%
Profit for the period	31.9	12.1	164%	71.0	46.2	54%
Number of employees	5,006	4,751	5%	5,006	4,751	5%
Share						
Earnings per share in €	0.46	0.17	171%	1.01	0.65	55%
Dividend per share in €	–	–	–	0.50[6]	0.50[6]	0%
Key profit figures						
Gross profit margin as a %	29.5	28.4	1.1 PP	28.6	28.1	0.5 PP
EBITDA margin as a %	15.4	11.9	3.5 PP	13.5	12.0	1.5 PP
EBIT margin as a %	10.6 (11.4)[3]	6.5	4.1 PP	8.8 (9.5)[4]	7.0 (6.5)[5]	1.8 PP
Cash flow						
Cash flow from operating activities	73.9	58.5	26%	131.6	94.3	40%
Cash flow from investment activities	-23.5	-23.9	-2%	-85.1	-84.1	1%
Capital expenditure (property, plant and equipment and intangible assets)	-23.8	-24.5	-3%	-90.7	-87.9	3%
Cash flow from financing activities	-37.8	-38.2	-1%	-24.7	-20.4	21%
Free cash flow	50.4	34.6	46%	46.6	10.2	357%

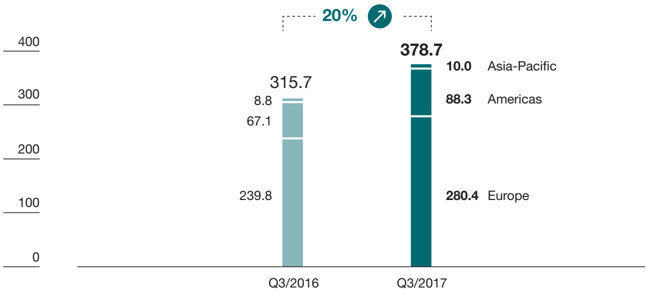
	Sep. 30, 2017	Dec. 31, 2016	Change	Sep. 30, 2016	Change
Key figures from the balance sheet					
Non-current assets	884.8	879.4	1%	883.9	0%
Current assets	764.5	701.4	9%	693.8	10%
Equity	1,102.5	1,092.6	1%	1,067.2	3%
Net financial debt	194.7	205.8	-5%	224.3	-13%
Liabilities	546.8	488.2	12%	510.5	7%
Equity ratio as a %	66.8	69.1	-2.3 PP	67.6	-0.8 PP
Net working capital	567.7	569.3	0%	565.3	0%
Net working capital as a % of revenue[7]	37.5	40.9	-3.4 PP	44.8	-7.3 PP

[1] In brackets: Adjusted to discount currency effects.
[2] Consolidated revenue before cash discounts.
[3] Adjusted to discount negative one-off effects resulting from Group restructuring in Q3/2017.
[4] Adjusted to discount [3], as well as negative one-off effects resulting from Group restructuring and allowances for value impairment of old inventory.
[5] Adjusted to discount positive one-off effect resulting from intercompany profit elimination in Q1/2016 (change in the method for evaluating inventories).
[6] Dividends paid out for the previous financial year.
[7] Net working capital relative to annualized quarterly revenue for the quarter ending on the closing date.

Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of Q1/2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values of 2016 have been adjusted accordingly.
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.

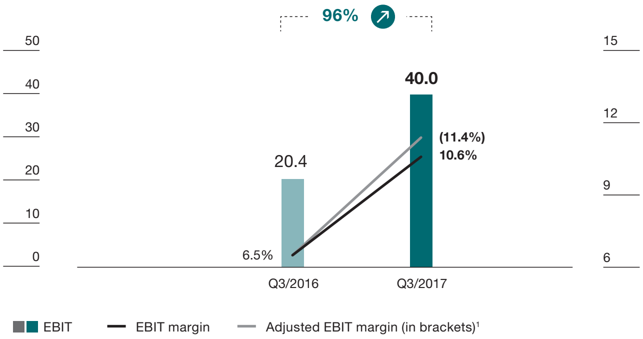
REVENUE DEVELOPMENT BY REGION

IN € MILLION



EBIT

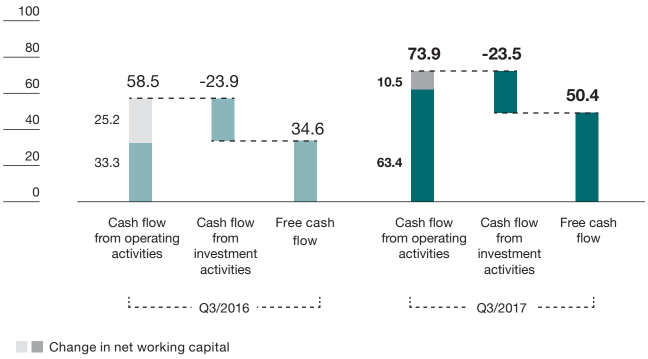
IN € MILLION AS A %



[1] Adjusted to discount negative one-off effects resulting from Group rstructuring in Q3/2017.

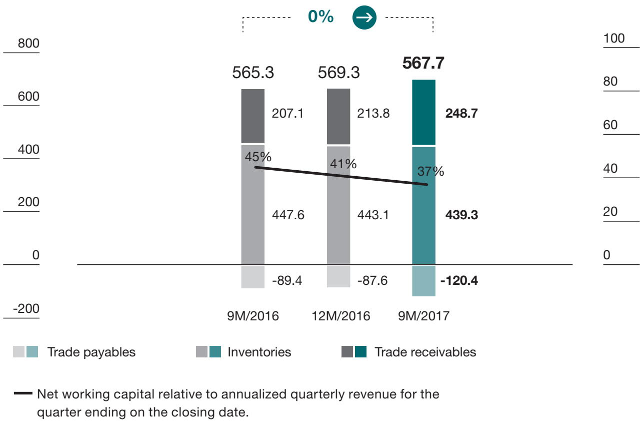
CASH FLOW

IN € MILLION



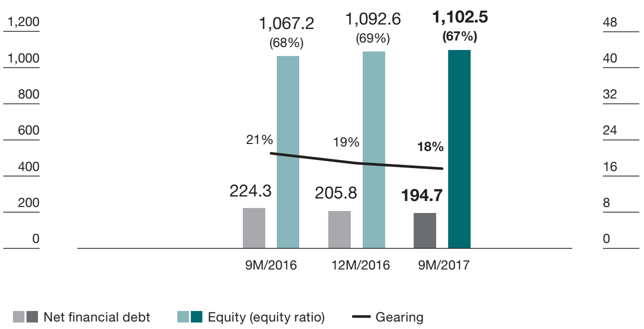
NET WORKING CAPITAL

IN € MILLION AS A %



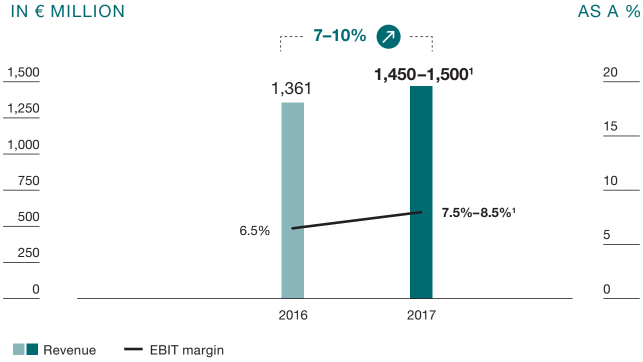
BALANCE SHEET RATIOS

IN € MILLION AS A %



FORECAST FISCAL YEAR 2017

IN € MILLION AS A %



[1] Expected at the upper end of the range.

Dear Ladies and Gentlemen,

On September 1, the three of us – Martin Lehner, Alexander Greschner and Wilfried Trepels – took the helm at Wacker Neuson SE as the new Executive Board team.

Building on the experience and expertise we have gained serving this company for over thirty years (Martin Lehner), our in-depth knowledge of the construction equipment industry (Alexander Greschner), and our long-standing experience in the market supplying the commercial vehicle sector (Wilfried Trepels), we aim to achieve great things together. We strive for excellence in everything we do.

The current economic situation is boosting our performance and also strengthening our organic growth by allowing us to gain market share.

Group revenue rose 20 percent to EUR 379 million in the third quarter of 2017 alone. Our growth here was primarily driven by continued strong demand for light and compact equipment, above all in the material handling business in the US and Europe. Business was also bolstered by international rental companies catching up on equipment stock levels plus overall strong demand among end customers and key accounts in Germany, Austria, Switzerland, the Benelux countries, France and Poland as well as in North and South America.

Light equipment revenue increased 14 percent in the third quarter alone. Revenue in the compact equipment sector rose by an impressive 27 percent thanks to the high order backlog. Once again, new orders in this segment from the agricultural sector remained high. We reduced our own inventory levels, as planned, and have already achieved the first improvements to inventory management worldwide. Our free cash flow has increased substantially as a result.

This strong growth had an even greater impact on earnings. We also benefited from our efforts in recent years to implement key strategic initiatives. We have now successfully completed the relocation of skid steer loader production from Austria to the US. We have secured a leading position in our competitive landscape by continuously investing in innovations such as our fully electric, zero-emissions light and compact equipment products. Our success is reflected in profit before interest and tax (EBIT), which doubled to EUR 40.0 million in the third quarter with the EBIT margin amounting to 10.6 percent.

From left to right:

Wilfried Trepels, CFO
Finance, IT, auditing and real estate

Martin Lehner, CEO
Responsible for procurement, production, technology, quality, strategy, investor relations, corporate communication, sustainability, compliance, HR and legal

Alexander Greschner, CSO
Sales, logistics, service and marketing

The Wacker Neuson share also developed positively in the third quarter. The share price is currently over EUR 28, which is a rise of more than 80 percent since the start of the year.

Our performance thus far, together with our positive order situation, give us every reason to be confident about the remainder of the year. We now expect revenue for 2017 as a whole to come in at the higher end of the previous forecast range of EUR 1.45 to 1.50 billion and believe it may even exceed this figure slightly. This would represent a jump of more than 10 percent compared with the previous year. We also expect the EBIT margin for the year as a whole to come in at the higher end of the current forecast of 7.5 to 8.5 percent. This is a substantial increase on the previous year’s figure of 6.5 percent.

Our success on the market is down to the joint efforts of all employees as well as the creativity and commitment they channel – each and every day – into our three successful brands: Wacker Neuson, Weidemann and Kramer. We would like to thank all of our colleagues for their hard work here. And we also have another reason to celebrate over the coming days: It is ten years since our successful 2007 merger between Wacker Construction Equipment and Neuson Kramer Baumaschinen. Our company has grown considerably since then, thanks again to our employees, our continuity and our strength.

We are also optimistic about the coming year. We aim to grow faster than the market and have identified much more potential for optimizing processes and continually improving our profitability. We will continue to invest in product innovations and digital business models, always ensuring that this aligns positively with continued improvements to our underlying cost structure. We are confident that we can achieve an average EBIT margin far in excess of 9 percent in the medium term.

We would like to thank you, our shareholders, for your loyalty.

Best regards,

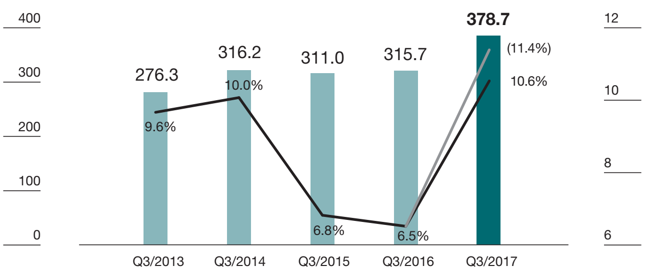
The Executive Board of Wacker Neuson SE

Business trends in Q3 2017

Development of revenue and EBIT margin

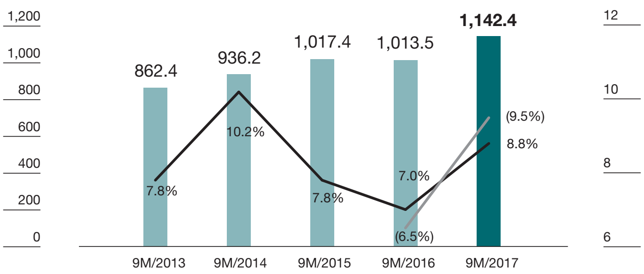
Q3 2013–2017

IN € MILLION AS A %



9M 2013–2017

IN € MILLION AS A %



Revenue — EBIT margin (in brackets)[1] — Adjusted EBIT margin (in brackets)[1]

[1] The EBIT margin was adjusted for the 9-month period to discount a positive one-off effect resulting from intercompany profit elimination in fiscal 2016 (change in the method for evaluating inventories). This figure was also adjusted for fiscal 2017 to discount negative one-off effects resulting from allowances for value impairment of old inventory and from Group restructuring measures. Adjustments were made in the Q3 period to discount negative one-off effects resulting from Group restructuring measures in fiscal 2017.

Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of Q1/2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values since 2014 have been adjusted accordingly.

Revenue and earnings

In Q3/2017, the Wacker Neuson Group was able to continue on the positive trajectory established during the first half of the year. This trend was fueled by the successful implementation of the Group's growth strategy and the overall positive market situation in the core markets of Europe and North America.

Revenue for the third quarter grew at an even faster pace than the 9.4 percent reported for the first half of the year. At EUR 378.7 million, Q3 revenue was 20.0 percent higher than in the prior-year quarter (Q3/2016: EUR 315.7 million). When adjusted to discount currency effects, this corresponds to a rise of 21.8 percent. Group revenue for the first nine months of 2017 reached a new record high of EUR 1,142.4 million. This corresponds to a 12.7-percent increase relative to the prior-year period (9M/2016: EUR 1,013.5 million).

The rise in revenue was also reflected in profit figures. Gross profit increased 24.9 percent to EUR 111.9 million (Q3/2016: EUR 89.6 million). Similarly, the gross profit margin rose to 29.5 percent (Q3/2016: 28.4 percent).

Operating costs (discounting other operating income/expenses) increased only slightly in the third quarter to reach EUR 73.8 million (Q3/2016: EUR 70.8 million). This rise was primarily due to increased sales activities in Europe and the US. Their share of revenue dropped markedly to 19.5 percent (Q3/2016: 22.4 percent). The balance from other income/expenses increased marginally from EUR 1.6 million to EUR 1.8 million.

Profit before interest, tax, depreciation and amortization (EBITDA) grew 55.2 percent in Q3 to EUR 58.2 million (Q3/2016: EUR 37.5 million). The EBITDA margin[1] climbed to 15.4 percent (Q3/2016: 11.9 percent).

At EUR 18.2 million, write-downs were slightly higher than in the prior-year period (Q3/2016: EUR 17.1 million) and accounted for 4.8 percent of revenue (Q3/2016: 5.4 percent).

Profit before interest and tax (EBIT) in the third quarter rose 96.1 percent to EUR 40.0 million (Q3/2016: EUR 20.4 million). Adjusted to discount currency effects, this corresponds to an increase of 95.8 percent. The EBIT margin[1] climbed to 10.6 percent (Q3/2016: 6.5 percent). When profit is adjusted to discount provisions for restructuring measures in the amount of EUR 3.1 million as part of the Group's efforts to optimize its corporate structure, the adjusted EBIT margin amounted to 11.4 percent.

The following factors had a positive impact on revenue and profit:

- Strong demand in the core markets of Europe and North America
- Dynamic demand for skid steer loaders manufactured in the US

[1] Margin = EBITDA/revenue, EBIT/revenue.

REGIONAL DEVELOPMENTS IN REVENUE AND EBIT

IN € MILLION

	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	Europe		Americas		Asia-Pacific		Consolidation		Group	
9M										
Revenue (unconsolidated)	1,457.3	1,319.7	649.7	541.9	42.1	41.6			2,149.1	1,903.2
Revenue (consolidated)	836.1	761.9	273.1	217.1	33.2	34.5			1,142.4	1,013.5
EBIT	111.0	82.5	1.5	-2.9	-6.1	-4.6	-5.4	-3.9	101.0	71.1
EBIT margin[1] (as a %)	13.3	10.8	0.5	-1.3	-18.4	-13.3			8.8	7.0
Q3										
Revenue (unconsolidated)	465.8	409.7	206.7	166.8	13.8	10.8			686.3	587.3
Revenue (consolidated)	280.4	239.8	88.3	67.1	10.0	8.8			378.7	315.7
EBIT	39.9	28.4	-0.1	-3.1	-3.2	-3.0	3.4	-1.9	40.0	20.4
EBIT margin[1] (as a %)	14.2	11.8	-0.1	-4.6	-32.0	-34.1			10.6	6.5

[1] EBIT margin on revenue (consolidated).

- A major upswing in demand from the agricultural sector
- Positive business trends in Australia and New Zealand
- Economies of scale kicking in
- Targeted improvements in internal Group processes

The financial result amounted to EUR 3.2 million compared with EUR -2.7 million in the prior-year quarter. This change was primarily attributable to a foreign currency loan between Group companies being classified as a long-term net investment in a foreign business. Consequently, the valuation result was reclassified under the equity item in other comprehensive income in the statement of comprehensive income.

Profit before tax (EBT) more than doubled during the third quarter to reach EUR 43.2 million (Q3/2016: EUR 17.7 million).

Tax expenditure for the third quarter amounted to EUR 11.3 million, compared with EUR 5.6 million in the prior-year period. The tax rate thus decreased to 26.2 percent (Q3/2016: 31.6 percent). The low tax rate in Europe relative to North America and the above-mentioned reclassification of a valuation result, which did not have an effect on taxes, had a positive impact on the tax rate.

Profit for the period rose to EUR 31.9 million and was thus almost triple the figure for the previous year (Q3/2016: EUR 12.1 million). Earnings per share increased to EUR 0.46 (Q3/2016: EUR 0.17).

EBIT for the first nine months of the year rose 42.1 percent to EUR 101.0 million. This corresponds to an EBIT margin of 8.8 percent (9M/2016: EUR 71.1 million; 7.0 percent). When profit is adjusted to discount the provisions mentioned above and one-off effects in the first half of the year (change in the method for evaluating inventories, restructuring, allowances for value impairment of old inventory), the adjusted EBIT amounted to EUR 108.1 million, which is a rise of 63.0 percent compared with the adjusted EBIT for the first nine months of 2016 (9M/2016: EUR 66.3 million). The adjusted EBIT margin came to 9.5 percent (adjusted EBIT margin for 9M/2016: 6.5 percent).

Profit for the first nine months of the year amounted to EUR 71.0 million (9M/2016: EUR 46.2 million). Earnings per share were thus posted at EUR 1.01 (9M/2016: EUR 0.65).

Financials and assets

During the third quarter, cash flow from operating activities increased 26.3 percent relative to the previous year to reach EUR 73.9 million (Q3/2016: EUR 58.5 million). This was primarily due to the marked increase in profit before tax and an improved structure for trade receivables and trade payables. Before changes to net working capital[1], cash flow from operating activities amounted to EUR 63.4 million (Q3/2016: EUR 33.3 million).

Cash flow from investment activities came to EUR -23.5 million in the third quarter and was thus on a par with the previous year (Q3/2016: EUR -23.9 million). The Group made investments amounting to EUR 23.8 million in total (Q3/2016: EUR 24.5 million), of which EUR 19.4 million was channeled into property, plant and equipment (Q3/2016: EUR 21.1 million). This includes investments in buildings and technical equipment and investments in the Group's rental fleet in Europe.

Free cash flow[2] increased to EUR 50.4 million (Q3/2016: EUR 34.6 million). Free cash flow for the first nine months as a whole increased by a factor of 3.5 to EUR 46.6 million (9M/2016: EUR 10.2 million).

Cash flow from financing activities for the third quarter amounted to EUR -37.8 million (Q3/2016: EUR -38.2 million).

The steps outlined by the Executive Board to reduce the share of net working capital to revenue in the medium term are increasingly taking effect. Despite the significant increase in revenue, net working capital amounted to EUR 567.7 million at September 30, 2017 and was thus on a par with the previous year (September 30, 2016: EUR 565.3 million; December 31, 2016: EUR 569.3 million). The ratio

[1] Net working capital = inventories + trade receivables – trade payables.
[2] Free cash flow = cash flow from operating activities + cash flow from investment activities.

REVENUE BY BUSINESS SEGMENT

IN € MILLION

	Q3/2017	Q3/2016	Change[1]	9M/2017	9M/2016	Change[1]
Light equipment	102.6	89.9	14% (18%)	326.0	293.5	11% (11%)
Compact equipment	196.5	154.2	27% (29%)	601.0	520.8	15% (16%)
Services	86.6	78.1	11% (12%)	234.3	215.9	9% (8%)
Less cash discounts	-7.0	-6.5	7.7%	-18.9	-16.7	13.2%
= Total revenue	**378.7**	**315.7**	**20.0%**	**1,142.4**	**1,013.5**	**12.7%**

[1] In brackets: Adjusted to discount currency effects.

of net working capital to annualized revenue improved markedly at 37.5 percent[1] (September 30, 2016: 44.8 percent). Old stock was reduced as planned, in line with the Group's efforts to optimize inventory management. As a result, the Group has been able to reduce old stock by around EUR 50 million since the beginning of the year. At the same time, targeted efforts were made to increase inventories in response to increased willingness to invest among customers in the construction and agricultural sectors. In total, inventories decreased 1.9 percent relative to the previous year to EUR 439.3 million (September 30, 2016: EUR 447.6 million). Trade payables increased to EUR 120.4 million (September 30, 2016: EUR 89.4 million). Trade receivables rose by 20.1 percent to EUR 248.7 million (September 30, 2016: EUR 207.1 million).

Group equity amounted to EUR 1,102.5 million at the close of September 2017 (September 30, 2016: EUR 1,067.2 million), which resulted in an equity ratio of 66.8 percent (September 30, 2016: 67.6 percent).

The termination of the partnership with agricultural equipment manufacturer CLAAS and the current collaboration with John Deere resulted in shifts in the share structure and a change in the shareholders of Kramer-Werke GmbH, an affiliate of Wacker Neuson SE. As was previously the case with CLAAS, John Deere now holds an approximately five-percent share in Kramer-Werke GmbH; this share is not recognized as a minority interest.

Net financial debt[2] decreased significantly, primarily due to the improved cash flow situation. At September 30, net financial debt amounted to EUR 194.7 million (December 31, 2016: EUR 205.8 million; September 30, 2016: EUR 224.3 million). Gearing[3] came to 17.7 percent (December 31, 2016: 18.8 percent; September 30, 2016: 21.0 percent).

Results by region

Europe

Revenue for Europe[4] rose 16.9 percent to EUR 280.4 million in the third quarter of 2017 (Q3/2016: EUR 239.8 million). Adjusted to discount currency effects, this represents a rise in revenue of 17.8 percent. The region's share of total revenue narrowed slightly to 74.0 percent due to even stronger growth in the Americas region (Q3/2016: 76.0 percent). EBIT[5] for Europe increased to EUR 39.9 million (Q3/2016: EUR 28.4 million).

The rise in revenue and earnings was fueled by the following factors:

- Continued dynamic demand from the construction sector
- An upswing in business with major European customers
- Marked recovery in the European agricultural sector
- Improved results from the services segment including the maintenance, repairs and spare parts business

The Group reported strong gains in revenue relative to the prior-year quarter in Germany, Austria, Switzerland, the Benelux countries, France and Poland. Business remained challenging in Turkey.

In the first nine months of 2017, revenue in Europe increased 9.7 percent to EUR 836.1 million (9M/2016: EUR 761.9 million). EBIT[5] amounted to EUR 111.0 million (9M/2016: EUR 82.5 million).

Americas

During the period under review, revenue in the Americas region rose 31.6 percent to reach EUR 88.3 million (Q3/2016: EUR 67.1 million). Adjusted to discount currency effects, this corresponds to a rise of 37.6 percent. The region's share of total revenue thus rose from 21.3 percent in the previous year's quarter to 23.3 percent in Q3 2017. EBIT[5] improved relative to the prior year to reach EUR -0.1 million (Q3/2016: EUR -3.1 million).

[1] Note on calculation: 567.7/(378.7*4) = 37.5 percent.
[2] Net financial debt = long- and short-term borrowings + current portion of long-term borrowings – marketable securities – cash and cash equivalents.
[3] Gearing = net financial debt/equity.
[4] 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.
[5] Before consolidation.

The improvement of revenue and earnings was fueled by the following factors:

- Dynamic demand from the construction industry, in particular in North America
- The need among North American rental companies to stock up again on worksite equipment
- Increased demand for skid steer loaders manufactured in the US
- Success with compact equipment imported from Europe
- Progress in targeted expansion of the dealer network

In the first nine months of the year, revenue for the Americas increased 25.8 percent to EUR 273.1 million (9M/2016: EUR 217.1 million). EBIT[1] amounted to EUR 1.5 million (9M/2016: EUR -2.9 million) and was negatively impacted by sales of old stock and restructuring expenses.

Asia-Pacific

In the Asia-Pacific region, revenue for the third quarter increased 13.6 percent to EUR 10.0 million (Q3/2016: EUR 8.8 million). Adjusted to discount currency effects, this represents a rise of 17.7 percent. This region's share of total revenue narrowed to 2.6 percent (Q3/2016: 2.8 percent). EBIT[1] amounted to EUR -3.2 million (Q3/2016: EUR -3.0 million).

The Group is currently preparing for future growth in China and is investing in a new production site, which will manufacture compact equipment from the first quarter of 2018 on. This investment together with a significant allowance for doubtful accounts related to receivables had a negative impact on profit.

Business in Australia and New Zealand developed positively, with the regions reporting double-digit revenue growth in Q3 2017.

In the first nine months of 2017, revenue for Asia-Pacific decreased marginally to EUR 33.2 million (9M/2016: EUR 34.5 million) due to the initial stocking of new dealers in China in the previous year. EBIT[1] amounted to EUR -6.1 million (9M/2016: EUR -4.6 million).

Results by business segment

Light equipment

Revenue for light equipment rose 14.1 percent to EUR 102.6 million in the third quarter (Q3/2016: EUR 89.9 million). Adjusted to discount currency effects, this represents an increase of 17.7 percent. This segment's share of total revenue contracted slightly to 26.6 percent (Q3/2016: 27.9 percent) due to above-average growth in the compact equipment business segment.

Dynamic demand from the construction industry in Europe and the Americas had a positive impact on the light equipment business. In the US, several rental chains needed to stock up on worksite equipment, including products such as generators and light towers. This fueled significant gains relative to the previous year.

Compact equipment

Revenue for the compact equipment segment rose 27.4 percent relative to the previous year to reach EUR 196.5 million (Q3/2016: EUR 154.2 million). Adjusted to discount currency effects, revenue grew by 28.6 percent. This segment's share of total revenue thus increased to 50.9 percent (Q3/2016: 47.9 percent).

This growth in the compact equipment segment was fueled by strong demand from the construction industry as well as an upswing in business in the European agricultural sector. The production of skid steer loaders in the US and increased exports of machines manufactured in Europe to North America were significant growth drivers for this segment.

Revenue generated by agricultural equipment increased 31.0 percent to EUR 49.0 million in the third quarter (Q3/2016: EUR 37.4 million). Agricultural compact equipment's share of total revenue thus amounted to 13 percent (Q3/2016: 12 percent).

At September 30, 2017, accumulated order intake[2] for compact equipment since the start of the year was around 27 percent higher than in the previous year. Order backlog[2] at the close of the quarter was also significantly above the previous year's level.

Services

Revenue for the services segment rose 10.9 percent to EUR 86.6 million in the third quarter (Q3/2016: EUR 78.1 million). Adjusted to discount currency effects, this is a rise of 11.9 percent. This segment's share of total revenue amounted to 22.5 percent (Q3/2016: 24.2 percent).

Changes to the Executive Board

On September 1, 2017, Mr. Martin Lehner succeeded Mr. Cem Peksaglam as CEO of Wacker Neuson SE. Mr. Lehner was previously Deputy CEO and CTO responsible for research and development, procurement, production and quality. In addition to these existing areas, Mr. Lehner is now responsible for strategy, investor relations, corporate communication, sustainability, compliance, HR and legal. Mr. Wilfried Trepels (CFO) has taken on the area of real estate, which was previously also the responsibility of Mr. Peksaglam.

Supplementary report

On November 7, 2017, Wacker Neuson SE signed a contract for the acquisition of KLC SERVIS s.r.o., which is headquartered in Lučenec, Slovakia. KLC has been a dealer for the Kramer and Wacker Neuson brands in Slovakia since 2005. The company's two locations in Lučenec and Bratislava will remain open and will be turned into Wacker Neuson locations, which will also continue to offer Kramer products. The creation of this direct sales channel in Slovakia sees Wacker Neuson expand its own sales network in Central Europe.

[1] Before consolidation.
[2] Includes orders for internal deliveries, for example for the Group's own rental fleet and to warehouses of its affiliated companies.

There have been no other events since the reporting date that could have a significant impact on the future business development of the Wacker Neuson Group.

Opportunities and outlook

The company has not identified any risks to the Wacker Neuson Group as at September 30, 2017 that deviate materially from the risk situation reported in the 2017 half-year report.

The company anticipates that demand from the construction and agricultural sector will remain strong in its core markets of Europe and North America.

The Executive Board expects revenue for fiscal 2017 to come in at the higher end of its previous forecast (EUR 1.45 to 1.50 billion) and believes it may even exceed this figure slightly. This would represent a rise in revenue of more than 10 percent compared with the previous year (2016: EUR 1.36 billion).

Also the EBIT margin for the year as a whole is expected to reach the upper end of the current forecast (7.5 to 8.5 percent), which is also significantly higher than the prior-year figure (2016: 6.5 percent). This forecast does not include potential one-off earnings from the sale of a real-estate company held by the Group, which is expected to generate income in the mid-double-digit million euro range. Depending on official approvals, however, this may also shift into 2018.

For the current fiscal year, the Group has earmarked around EUR 120 million in total for investments (2016: EUR 107 million).

Munich, November 8, 2017

Wacker Neuson SE

The Executive Board

Consolidated Income Statement

JULY 1 THROUGH SEPTEMBER 30 AND JANUARY 1 THROUGH SEPTEMBER 30

IN € K	July 1-Sep. 30, 2017	July 1-Sep. 30, 2016	Change	Jan. 1-Sep. 30, 2017	Jan. 1-Sep. 30, 2016	Change
Revenue	378,744	315,734	20%	1,142,449	1,013,519	13%
Cost of sales	-266,803	-226,181	18%	-816,138	-728,940	12%
Gross profit	**111,941**	**89,553**	**25%**	**326,311**	**284,579**	**15%**
Sales and service expenses	-48,137	-46,825	3%	-148,576	-143,418	4%
Research and development expenses	-7,995	-8,285	-4%	-26,793	-26,733	0%
General administrative expenses	-17,626	-15,719	12%	-56,030	-49,623	13%
Other income	2,496	2,108	18%	7,518	7,052	7%
Other expenses	-658	-463	42%	-1,415	-793	78%
Profit before interest and tax (EBIT)	**40,021**	**20,369**	**96%**	**101,015**	**71,064**	**42%**
Financial income	864	271	219%	2,063	1,007	105%
Financial expenses	2,297	-2,978	–	-5,982	-7,047	-15%
Profit before tax (EBT)	**43,182**	**17,662**	**144%**	**97,096**	**65,024**	**49%**
Taxes on income	-11,257	-5,552	103%	-26,067	-18,866	38%
Profit for the period	**31,925**	**12,110**	**164%**	**71,029**	**46,158**	**54%**
Of which are attributable to:						
Shareholders in the parent company	32,451	12,045	169%	71,029	45,832	55%
Minority interests	-526	65	–	0	326	-100%
	31,925	**12,110**	**164%**	**71,029**	**46,158**	**54%**
Earnings per share in euros (diluted and undiluted)	**0.46**	**0.17**	**171%**	**1.01**	**0.65**	**55%**

Currency effects resulting from the evaluation of receivables and payables in foreign currencies and from the evaluation of cash and cash equivalents are recognized in the financial result as of Q1/2017 (previously recognized under cost of sales as well as other income and/or other expenses). Values of 2016 have been adjusted accordingly.

Consolidated Balance Sheet

AS AT SEPTEMBER 30

IN € K

	Sep. 30, 2017	Sep. 30, 2016	Change	Dec. 31, 2016	Change
Assets					
Property, plant and equipment	421,473	432,376	-3%	427,847	-1%
Property held as a financial investment	27,046	22,010	23%	23,151	17%
Goodwill	237,534	238,046	0%	238,597	0%
Other intangible assets	124,440	124,331	0%	124,933	0%
Deferred tax assets	41,463	44,931	-8%	39,125	6%
Other non-current financial assets	28,305	19,788	43%	24,543	15%
Other non-current non-financial assets	4,560	2,458	86%	1,192	283%
Total non-current assets	**884,821**	**883,940**	**0%**	**879,388**	**1%**
Inventories	439,310	447,630	-2%	443,116	-1%
Trade receivables	248,743	207,120	20%	213,761	16%
Tax offsets	7,712	6,951	11%	9,877	-22%
Other current financial assets	6,947	2,759	152%	2,501	178%
Other current non-financial assets	16,660	15,222	9%	14,569	14%
Cash and cash equivalents	38,222	14,088	171%	17,572	118%
Non-current assets held for sale	6,889	0	–	0	–
Total current assets	**764,483**	**693,770**	**10%**	**701,396**	**9%**
Total assets	**1,649,304**	**1,577,710**	**5%**	**1,580,784**	**4%**
Equity and liabilities					
Subscribed capital	70,140	70,140	0%	70,140	0%
Other reserves	586,352	598,066	-2%	612,392	-4%
Net profit/loss	446,017	393,671	13%	404,669	10%
Equity attributable to shareholders in the parent company	**1,102,509**	**1,061,877**	**4%**	**1,087,201**	**1%**
Minority interests	**0**	**5,301**	**-100%**	**5,389**	**-100%**
Total equity	**1,102,509**	**1,067,178**	**3%**	**1,092,590**	**1%**
Long-term borrowings	154,935	32,597	375%	30,019	416%
Deferred tax liabilities	31,986	32,590	-2%	30,803	4%
Long-term provisions	52,611	58,104	-9%	54,243	-3%
Total non-current liabilities	**239,532**	**123,291**	**94%**	**115,065**	**108%**
Trade payables	120,350	89,436	35%	87,603	37%
Short-term borrowings from banks	77,995	205,414	-62%	190,530	-59%
Current portion of long-term borrowings	19	362	-95%	2,861	-99%
Short-term provisions	18,627	15,195	23%	15,695	19%
Tax liabilities	421	202	108%	1,817	-77%
Other short-term financial liabilities	26,709	27,542	-3%	30,008	-11%
Other short-term non-financial liabilities	63,142	49,090	29%	44,615	42%
Total current liabilities	**307,263**	**387,241**	**-21%**	**373,129**	**-18%**
Total liabilities	**1,649,304**	**1,577,710**	**5%**	**1,580,784**	**4%**

Consolidated Cash Flow Statement

JULY 1 THROUGH SEPTEMBER 30 AND JANUARY 1 THROUGH SEPTEMBER 30

IN € K	July 1-Sep. 30, 2017	July 1-Sep. 30, 2016	Jan. 1-Sep. 30, 2017	Jan. 1-Sep. 30, 2016
Profit before tax (EBT)	**43,182**	**17,662**	**97,096**	**65,024**
Adjustments to reconcile profit before tax with gross cash flow:				
Depreciation and amortization	18,218	17,120	53,519	50,956
Other non-cash income/expenditure	4,206	1,373	13,827	3,875
Gains/losses from sale of intangible assets and property, plant and equipment	429	335	-923	-1,437
Book value from the disposal of rental equipment	6,531	4,513	18,412	14,341
Actuarial losses from pension obligations	-12	-1,690	1,415	-11,182
Financial result	-3,161	2,706	3,919	6,040
Changes in misc. assets	-2,716	-699	-17,308	-10,672
Changes in provisions	1,480	1,509	2,092	12,132
Changes in misc. liabilities	2,725	-244	12,465	5,820
Interest paid	-1,244	-769	-8,022	-6,966
Income tax paid	-6,829	-8,766	-20,091	-35,732
Interest received	640	261	1,817	992
Gross cash flow[1]	**63,449**	**33,311**	**158,218**	**93,191**
Changes in inventories	-17,723	-4,389	-16,694	21,564
Changes in trade receivables	21,004	31,677	-44,623	-29,963
Changes in trade payables	7,175	-2,082	34,732	9,547
Changes in net working capital	**10,456**	**25,206**	**-26,585**	**1,148**
Cash flow from operating activities	**73,905**	**58,517**	**131,633**	**94,339**
Purchase of property, plant and equipment	-19,378	-21,094	-79,129	-76,702
Purchase of intangible assets	-4,379	-3,449	-11,613	-11,209
Proceeds from the sale of property, plant and equipment, intangible assets	301	612	5,661	3,785
Cash flow from investment activities	**-23,456**	**-23,931**	**-85,081**	**-84,126**
Free cash flow[2]	**50,449**	**34,586**	**46,552**	**10,213**
Dividends	0	0	-35,070	-35,070
Cash inflow from short-term borrowings	3,134	-25,555	68,383	71,441
Repayments from short-term borrowings	-40,954	-12,542	-182,946	-54,890
Cash inflow from long-term borrowings	0	0	124,900	0
Repayments from long-term borrowings	0	-93	0	-1,913
Cash flow from financing activities	**-37,820**	**-38,190**	**-24,733**	**-20,432**
Change in cash and cash equivalents before exchange rate effects	**12,629**	**-3,604**	**21,819**	**-10,219**
Effect of exchange rates on cash and cash equivalents	-391	-529	-1,169	-712
Change in cash and cash equivalents	**12,238**	**-4,133**	**20,650**	**-10,931**
Cash and cash equivalents at beginning of period	**25,984**	**18,221**	**17,572**	**25,019**
Cash and cash equivalents at end of period	**38,222**	**14,088**	**38,222**	**14,088**

[1] To ensure a more transparent presentation of information, some individual lines relating to the previous year's gross cash flow have been moved. These movements do not substantially affect the total figure.
[2] Free cash flow = cash flow from operating activities + cash flow from investment activities.

Wacker Neuson SE

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