Contents Group Management Report

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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 institues

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 Cosolidated 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 target[1]

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 company 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 subgroup[3] 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-Flechtdorf 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 generators 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

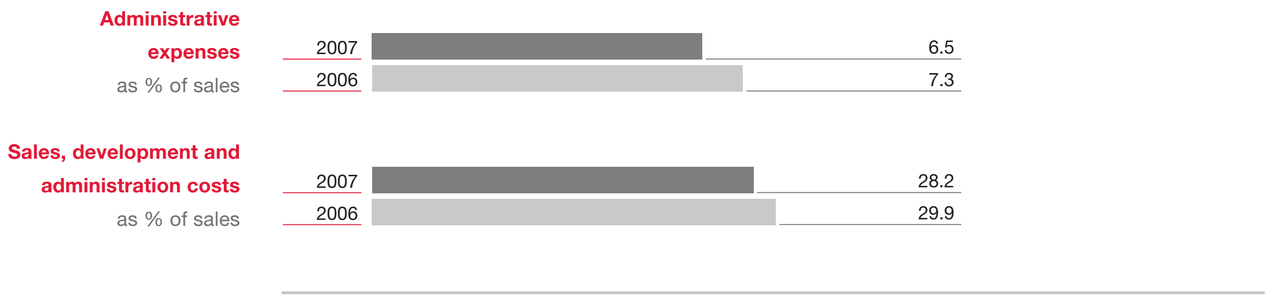
- **Key figures improved in fiscal 2007**
- **Clear sales and profit growth**
- **Proposed dividends at previous year's level**

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 information[1]

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)



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 € milion	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)

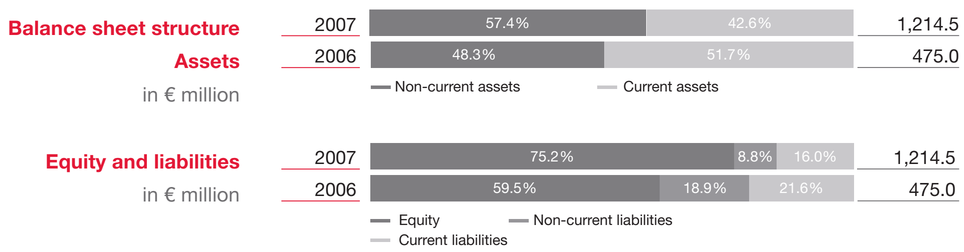
in € million	2007
Expansion of rental business in Central and Eastern Europe	24.6
Construction of new production plant in Manila	2.6
Construction of new production plant for Weidemann GmbH in Korbach	12.4
Construction of new training centre in Reichertshofen	3.0
Construction of new production plant for 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.

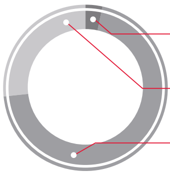
Total non-current liabilities rose 18.9 percent to EUR 107.1 million (previous year: EUR 90.1 million). While long-term borrowings dropped to EUR 44.2 million (previous year: EUR 60.8 million), primarily attributable to repayment of bank loans, long-term provisions climbed to EUR 29.2 million (previous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

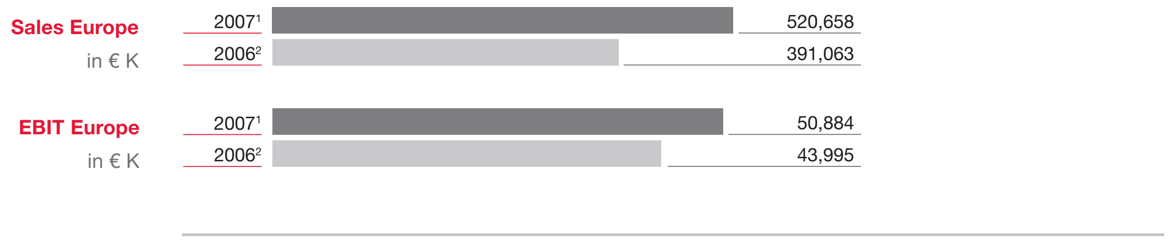
Europe

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



[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.

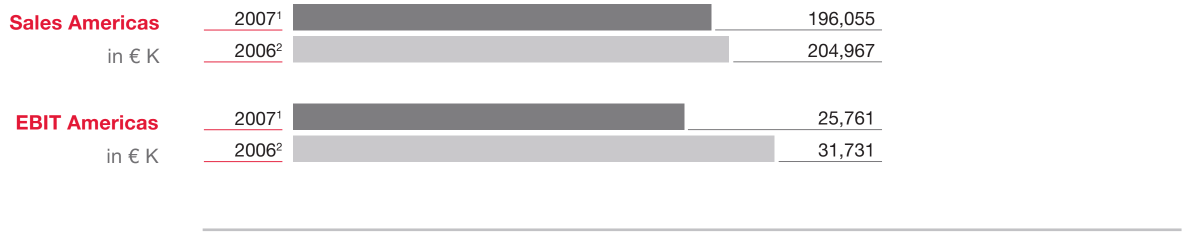
Sales growth in Germany
Germany achieved the strongest sales in the Europe region last fiscal year. Despite construction investments only increasing 2 percent, we achieved significant revenue growth both in new equipment sales and in our rental, spare parts and repairs business. Here we benefited both 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



[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.

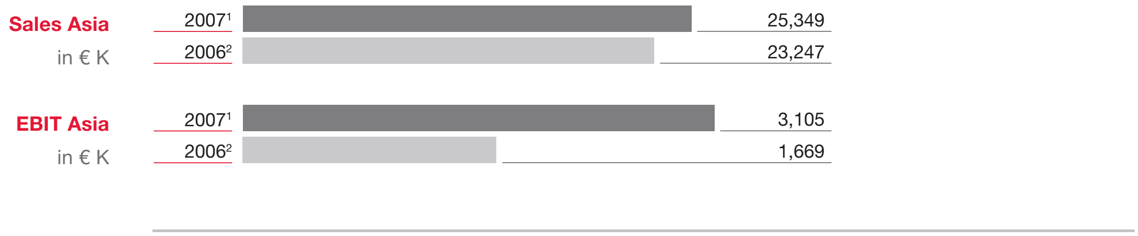
Wacker's service-based franchise concept, EQUIPRO, Inc., also continued to develop according to plan. Here we are gradually establishing a service station network on a franchise basis to meet the expected increase in service and repair requirements on the North American market. This will cater for new 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.



[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

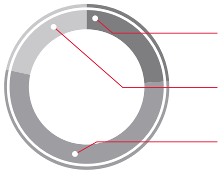
in € K	2007	2006
Light Equipment	408,170	391,417
Compact Equipment	179,480	88,220
Services	159,657	144,655
Minus cash discounts	5,245	5,015
= Total sales	**742,062**	**619,277**

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).

Sales by business segment[1]
in % (previous year)



[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

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-Flechtdorf 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-Flechtdorf (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

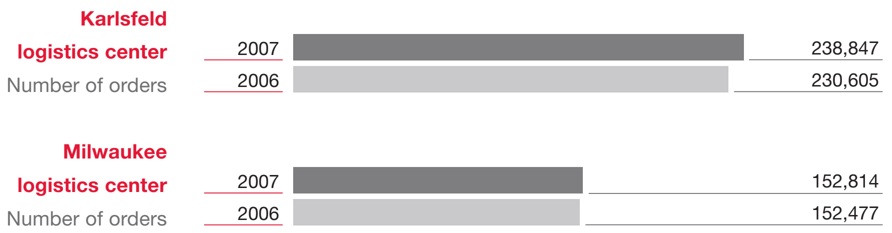
We document our underlying processes and benchmarking systems in our quality management system, certified to DIN EN ISO 9001/2000. This covers the light and compact equipment business segments for the Group headquarters in Munich, production plant in Reichertshofen, logistics center in Karlsfeld and 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.



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

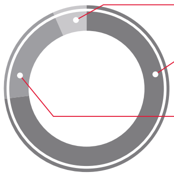
We were able to handle the increased workload with a total headcount of 270 (previous year: 196) across all locations in fiscal 2007. Key factors here were efficient production planning in the logistics centers and high flexibility in the focus factories at our production plants.

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 Reicherts-hofen 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 ovserved	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

Risk probability in %

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

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.

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 development 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 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 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 Familiengesellschaft 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.

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

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

Type of control of voting rights if employees hold participating interests 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 interests[1] 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 Takeover 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 company 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 particularly 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)

Richard Mayer

Günther C. Binder

Werner Schwind