Annual Report 2012

BAUER

The BAUER Group is an international construction and machinery manufacturing concern based in Schrobenhausen, Bavaria. The stock market-listed holding company BAUER Aktiengesellschaft is the parent of more than 110 subsidiary businesses across its Construction, Equipment and Resources segments. Bauer is a leader in the execution of complex excavation pits, foundations and vertical seals, as well as in the development and manufacture of related machinery for this dynamic market. The Group also deploys its expertise in the exploration, mining and safeguarding of valueable natural resources. In 2012 the companies of the BAUER Group employed some 10,300 people in around 70 countries and achieved total Group revenues of EUR 1.45 billion.

Passion for progress

The origins of Bauer date back as far as 1790, and still today the company's sucess is founded on highly flexible application of the specialist know-how it has built up over those many years. As an innovator and technology leader, Bauer has played a major role in the advancement of the international specialist foundation engineering industry and related business fields. Indeed, today Bauer is also the world market leader in the manufacture of the relevant machinery. It is with just such innovative strength and a keen focus on the challanges of the future that the Group is also developing its recently established Resources segment.

The Group at a glance

GROUP KEY FIGURES 2009 – 2012

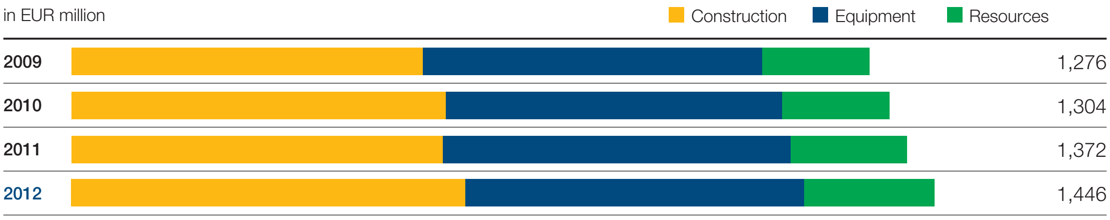
IFRS in EUR million		2009	2010	2011	2012	Change: 2011/2012
Total Group revenues		1,275.8	1,304.0	1,371.8	1,445.6	5.4 %
of which	Germany	361.4	339.1	370.3	385.3	4.1 %
	International	914.4	964.9	1,001.5	1,060.3	5.9 %
	International in %	71.7	74.0	73.0	73.3	n/a
of which	Construction *	570.0	615.4	606.6	656.8	8.3 %
	Equipment *	608.5	581.7	636.5	596.1	-6.3 %
	Resources	174.3	177.7	211.5	263.9	24.8 %
	Other/Consolidation	-77.0	-70.8	-82.8	-71.2	n/a
Consolidated revenues		1,226.0	1,255.6	1,327.1	1,385.9	4.4 %
Sales revenues		1,096.5	1,131.7	1,219.6	1,344.4	10.2 %
Orders received		1,113.1	1,410.0	1,506.9	1,480.6	-1.7 %
Orders in hand		508.9	614.9	750.0	785.0	4.7 %
EBITDA		157.4	165.5	164.5	163.2	-0.8 %
EBITDA margin in % (of sales revenues)		14.4	14.6	13.5	12.1	n/a
EBIT		84.4	88.4	82.3	71.4	-13.2 %
EBIT margin in % (of sales revenues)		7.7	7.8	6.7	5.3	n/a
Net profit or loss		42.0	39.8	34.1	25.3	-25.7 %
Capital investment in property, plant and equipment		136.8	90.7	96.6	96.4	-0.2 %
Shareholders' equity		401.9	443.9	470.4	483.1	2.7 %
Equity ratio in %		33.9	33.2	31.6	31.8	n/a
Net assets		1,185.2	1,337.7	1,487.5	1,521.5	2.3 %
Earnings per share		2.28	2.04	1.86	1.42	-23.7 %
Dividend payment		10.28	10.28	8.57	5.14 **	-40.0 %
Dividend per share in EUR		0.60	0.60	0.50	0.30 **	-40.0 %
Return on equity after tax in %		11.3	9.9	7.7	5.4	n/a
Employees (on average over the year)		8,872	9,094	9,646	10,253	6.3 %
of which	Germany	4,062	4,036	4,065	4,090	0.6 %
	International	4,810	5,058	5,581	6,163	10.4 %

* See footnote on Construction segment on page 27

** Proposed; subject to the consent of the Annual General Meeting to be held on June 27, 2013

At variance with the consolidated revenues presented in the Group income statement, the total Group revenues presented here include portions of revenues from associated companies as well as revenues of non-consolidated subsidiaries and joint ventures.

DEVELOPMENT OF TOTAL GROUP REVENUES BY SEGMENT



CONSTRUCTION SEGMENT KEY FIGURES

in EUR '000	2011	2012	Change
Total Group revenues *	606,598	656,834	8.3 %
Sales revenues *	506,227	579,069	14.4 %
Orders received *	717,672	704,607	-1.8 %
Orders in hand *	465,314	513,087	10.3 %
EBIT *	17,866	21,784	21.9 %
Net profit or loss *	5,100	8,413	65.0 %
Employees (on average over the year)	5,113	5,454	6.7 %

EQUIPMENT SEGMENT KEY FIGURES

in EUR '000	2011	2012	Change
Total Group revenues *	636,457	596,086	-6.3 %
Sales revenues *	511,430	520,576	1.8 %
Orders received *	612,705	592,959	-3.2 %
Orders in hand *	116,211	113,084	-2.7 %
EBIT *	52,981	33,720	-36.4 %
Net profit or loss *	23,316	8,712	-62.6 %
Employees (on average over the year)	2,915	2,952	1.3 %

RESOURCES SEGMENT KEY FIGURES

in EUR '000	2011	2012	Change
Total Group revenues	211,497	263,916	24.8 %
Sales revenues	201,549	244,273	21.2 %
Orders received	259,207	254,300	-1.9 %
Orders in hand	168,443	158,827	-5.7 %
EBIT	10,897	15,169	39.2 %
Net profit or loss	3,707	5,645	52.3 %
Employees (on average over the year)	1,367	1,578	15.4 %

* See footnote on Construction segment on page 27

BAUER Aktiengesellschaft 2012 Annual Report

Management Board of the Company

PROF. DIPL.-KFM. THOMAS BAUER (CHAIRMAN)

Professor Thomas Bauer (born 1955) heads the Participations in Subsidiaries, Financial Reporting, Planning and Controlling functions on the Management Board of BAUER Aktiengesellschaft.

After studying business economics at the Ludwig Maximilian University in Munich, he worked in the USA. He joined the family company in 1982. In 1986 he became sole managing director of BAUER Spezialtiefbau GmbH and since 1994 he has been Chairman of the Management Board of BAUER Aktiengesellschaft.

Professor Thomas Bauer is President of the German Construction Industry Confederation, President of the Bavarian Construction Industry Association, Vice-President of the Confederation of German Industry (BDI) and Vice-President of the Confederation of Bavarian Industry (vbw). He is an honorary professor of the Technical University of Munich.

Supervisory Board mandates:

- BAUER Spezialtiefbau GmbH, Schrobenhausen (Chairman) [1]
- BAUER Maschinen GmbH, Schrobenhausen (Chairman) [1]
- BAUER Resources GmbH, Schrobenhausen
- SCHACHTBAU NORDHAUSEN GmbH, Nordhausen (Chairman) [1]
- BAUER EGYPT S.A.E., Cairo (Chairman) [1]
- BAUER Foundation Corp., Odessa (Chairman) [1]
- Mannheimer AG Holding, Mannheim [2] (to 11.03.2013)

[1] Internal Supervisory Board membership
[2] Members of Supervisory Boards or comparable supervisory bodies of business entities in Germany and abroad, in accordance with Section 285 No. 10 of the German Commercial Code (HGB)

DIPL.-BETRIEBSWIRT (FH) HARTMUT BEUTLER

Hartmut Beutler (born 1957) is responsible for the Finance, Legal Affairs and Insurance, and Facility Management functions on the Management Board of BAUER Aktiengesellschaft.

He studied business economics (specializing in the construction industry) at Biberach University of Applied Sciences and joined BAUER Spezialtiefbau GmbH as a trainee in 1983. He later became deputy head of the company's Accounting department and assistant to the Management Board. After working as head of IT, Facility Management, Legal Affairs and Insurance at BAUER Spezialtiefbau GmbH, as well as being a company "Prokurist" (holder of power of attorney), Hartmut Beutler was appointed to the Management Board of BAUER Aktiengesellschaft in 2001.

Supervisory Board mandates:

- BAUER Resources GmbH, Schrobenhausen [1]
- Schrobenhausener Bank e.G. (Chairman) [2]

DIPL.-ING. HEINZ KALTENECKER

Heinz Kaltenecker (born 1951) is responsible for Participations in Subsidiaries as well as the Human Resources and Information Technology functions on the Management Board of BAUER Aktiengesellschaft. He is also the Labour Relations Director.

After studying civil engineering at the Technical University of Karlsruhe, he joined BAUER Spezialtiefbau GmbH in 1978. He has held a number of senior management posts, including being managing director of BAUER Spezialtiefbau GmbH from 2001 to 2007. Heinz Kaltenecker was managing director of BAUER Resources GmbH from 2007 to 2010. He has been a member of the Management Board of BAUER Aktiengesellschaft since 1997. Heinz Kaltenecker is a board member of the German Geotechnical Society and a member of the Large Construction Companies subcommittee of the German Construction Industry Confederation.

Supervisory Board mandates:

- BAUER Spezialtiefbau GmbH, Schrobenhausen [1]
- BAUER Maschinen GmbH, Schrobenhausen [1]
- BAUER Resources GmbH, Schrobenhausen (Chairman) [1]
- SCHACHTBAU NORDHAUSEN GmbH, Nordhausen [1]

Foreword

Dear Shareholders, Partners and Friends,
Ladies and Gentlemen,

The 2012 financial year was one of extremes for the BAUER Group. On the one hand, we had to deal with a large number of unforeseen events and some major problems on our construction sites; on the other, we achieved extraordinarily good results and put in place preparations to exploit some highly interesting future opportunities. All in all, however, the year remained ultimately unsatisfactory. Total Group revenues of EUR 1.45 billion were up 5.4 % on the previous year, but consolidated earnings of EUR 25.3 million fell well below our initial expectations. A positive aspect in terms of future prospects is the generally healthy state of our orders in hand, resulting among other factors from the acquisition of a number of new large-scale projects.

Most of our markets are currently overshadowed by great volatility. However, such variable – and sometimes contradictory – trends are an entirely normal consequence of the type of crisis which the world has seen over the past five years. The financial crisis affected global economic growth to such an extent that it, together with measures such as government economic stimulus programmes which were implemented to counter the crisis, were bound to cause further disruption. Since these factors are characterized by widely differing "incubation periods", they are affecting economies around the world to very different extents, and this is having a major impact on markets at present. In addition, some regional economies are being significantly hampered by political events, especially in the Middle East. Seen in its entirety, the global economy can be compared to an ocean just after a storm, in which dying waves crash against new waves flowing from different directions, at different speeds, to create major turbulence.

When we discovered at the start of the year that our machinery sales were well down against the previous year's figures, we were initially surprised, because most other industrial sectors in Germany were reporting excellent performance over the same period. On analyzing the various markets more closely, however, the reasons quickly became apparent: The Middle East was being impacted substantially by the political conditions in Egypt and Syria, as well as by other detrimental factors across the region. In India, the government was having problems controlling the boom of recent years, as a result of which the construction industry was being particularly hard-hit. The construction market in China was suffering badly from state intervention, while in Russia the large-scale projects in preparation for the Winter Olympics in Sochi were coming to an end. In this way, the high capacities built up during the boom years led to a decline in demand for specialist foundation engineering equipment. Over the course of the year it then became clear that we were not the only ones to be hit by market turbulence. Many other businesses were encountering setbacks and having to combat a new economic downturn.

One advantage for us in this situation was once again the broad spread of the Group's operations around the world, and our wide range of products and services relating to ground and groundwater. Although it took longer than expected to acquire some projects, all the Group's divisions were able to procure interesting large-scale contracts which have provided us with a sound basis for healthy growth during the current year.

Negative effects were felt in 2012 due to disappointing results from a number of major projects. Our well-building contracts in Jordan posed particular problems, resulting in a heavy financial loss. Positive factors included the development and extension of new products in our machinery business. We sold six newly developed deep drilling rigs of the 100 tonne class to China, where they are being employed as emergency rescue equipment in the mining industry. We also made progress in the larger rigs of this segment, and 2013 we will deliver a rig with a hook load of 400 tonnes to Nigeria. Other sales prospects exist.

We also achieved some very interesting technical developments in underwater drilling rigs, opening up good opportunities in meeting the wide-ranging demands of foundation works for the offshore power generation sector. In April 2013 we will be exhibiting a wide range of other interesting new developments at the world's leading construction machinery fair, Bauma, in Munich.

Looking to the future, we know that conditions are going to remain turbulent. The global economy will be marked by rapidly alternating positive and negative trends over the coming years. Against that background, it is vital that we adhere to our strategy. Thanks to our global spread, and the wide range of machinery and associated products and services for ground and groundwater, which we are able to offer our customers, we will have sufficient opportunities to achieve steady ongoing growth even in difficult market conditions such as we are encountering at present.

A major challenge is posed by the growing competition from emerging economies. The times when our products were merely being copied are long gone. Today, manufacturers in China and other emerging economies try to improve their products based on creative design and high quality standards. All machinery manufacturers in Germany and other western market economies need to be aware of that trend. In view of the challenges faced, we are making great efforts to maintain a competitive edge in all the products and services we offer. This demands major commitment to the development of new construction techniques and electronic control systems for our machines, to high product quality, and especially to high safety standards. Only if we manage to keep our "noses in front" in those areas will we be able to achieve further success.

Over recent years we have focused intensively on optimizing all our business processes. We have established an outstanding global IT infrastructure incorporating many of our international businesses, branch offices and distribution centres. All information is readily accessible, enabling us to monitor business trends closely and respond rapidly as and when necessary. State-of-the-art video conferencing systems provide us with even closer communications links, and also mean that lengthy travel time can be saved and utilized for more important tasks.

We were very pleased to receive recognition for the quality of our reporting to shareholders and the public at large in the last year. We will be making every effort to maintain and build our culture of proactive information dissemination.

Though conditions are not easy at present, it is certainly a very interesting and challenging time. We will continue to meet those challenges with great enthusiasm and commitment, so as to exploit every opportunity to drive our business forward. We know that there will be setbacks from time to time. They will not deter us, but will merely spur us on to achieve even more. We ask our shareholders and partners to continue providing us with their valuable support and backing in the times ahead.

Sincerely,

Prof. Thomas Bauer

Milestones in the Company's History

> 1790
- Sebastian Bauer acquires a coppersmith's shop in the centre of Schrobenhausen; in the 19th century, subsequent Bauer generations were engaged in copper working, primarily for breweries and domestic households

> 1840
- Copper cladding for the steeple roof of St. Jakob's church in Schrobenhausen

> 1900
- Start of well drilling by Andreas Bauer

1790 – 1948

> 1902
- Drilling of an artesian well for the Schrobenhausen railway station

> 1928
- Dipl.-Ing. Karl Bauer constructs the Schrobenhausen water supply system; construction of wells and water pipes throughout Bavaria

> 1948
- First works on Wittelsbacherstrasse

> 1956
- Dr.-Ing. Karlheinz Bauer, a shareholder in the company since 1952, becomes sole managing director;
  Construction of a first office building in Wittelsbacherstrasse

Dipl.-Ing. Karl Bauer (left) turned the company into an industrial well builder known throughout Bavaria. Dr.-Ing. Karlheinz Bauer (centre) led the company onto the international stage, taking it into the field of specialist foundation engineering and launching equipment manufacturing operations. Prof. Dipl.-Kfm. Thomas Bauer shaped the current global Group, with a network of operations on every continent.

1956 – 1984

> 1958
- Invention of the injection anchor on the construction site of the Bayerischer Rundfunk building in Munich

> 1969
- First anchor drilling rig UBW 01

> 1972
- Construction of the new head office administration block

> 1975
- First contracts in Libya, Saudi Arabia and the United Arab Emirates

> 1976
- First heavy-duty rotary drilling rig BG 7

> 1984
- Works complex West begins operations;
  Manufacture and deployment of the first trench cutter

1986 – 2007

> **1986**
- Prof. Thomas Bauer becomes sole managing director of BAUER Spezialtiefbau GmbH and drives forward the international growth of the Group

> **1990**
- Founding of BAUER und MOURIK Umwelttechnik GmbH and of SPESA Spezialbau und Sanierung GmbH

> **1992**
- Takeover of SCHACHTBAU NORDHAUSEN GmbH

> **1994**
- Founding of BAUER Aktiengesellschaft

> **1998**
- Takeover of KLEMM Bohrtechnik GmbH

> **2001**
- BAUER Maschinen GmbH becomes independent company

> **2002**
- Purchase of large machinery manufacturing facility in Aresing

> **2003 – 2005**
- Specialist companies in a variety of fields are acquired and integrated into the BAUER Group: FWS Filter- und Wasser-technik GmbH; PRAKLA Bohrtechnik GmbH; TracMec Srl, Imola, Italy; Pileco, Inc., Houston, Texas, USA

> **2006**
- BAUER AG is listed on the stock market

> **2007**
- Founding of BAUER Resources GmbH, entailing a restructuring of the mining and environmental business; market launch of the three new segments: Construction, Equipment and Resources

2008 – 2012

> **2008**
- Expansion of machinery manufacturing capacities in Aresing and Nordhausen as well as in Tianjin and Shanghai, China

> **2009**
- The BAUER Group concludes the largest capital invest-ment programme in its history: new head office administra-tion building in Schrobenhausen, the Edelhausen plant, the machinery manufacturing plant in Conroe, Texas, USA

> **2011**
- The first deep drilling rig is sold to South America; const-ruction of an underwater drilling rig and successful deploy-ment of it for a tidal turbine off the coast of Scotland

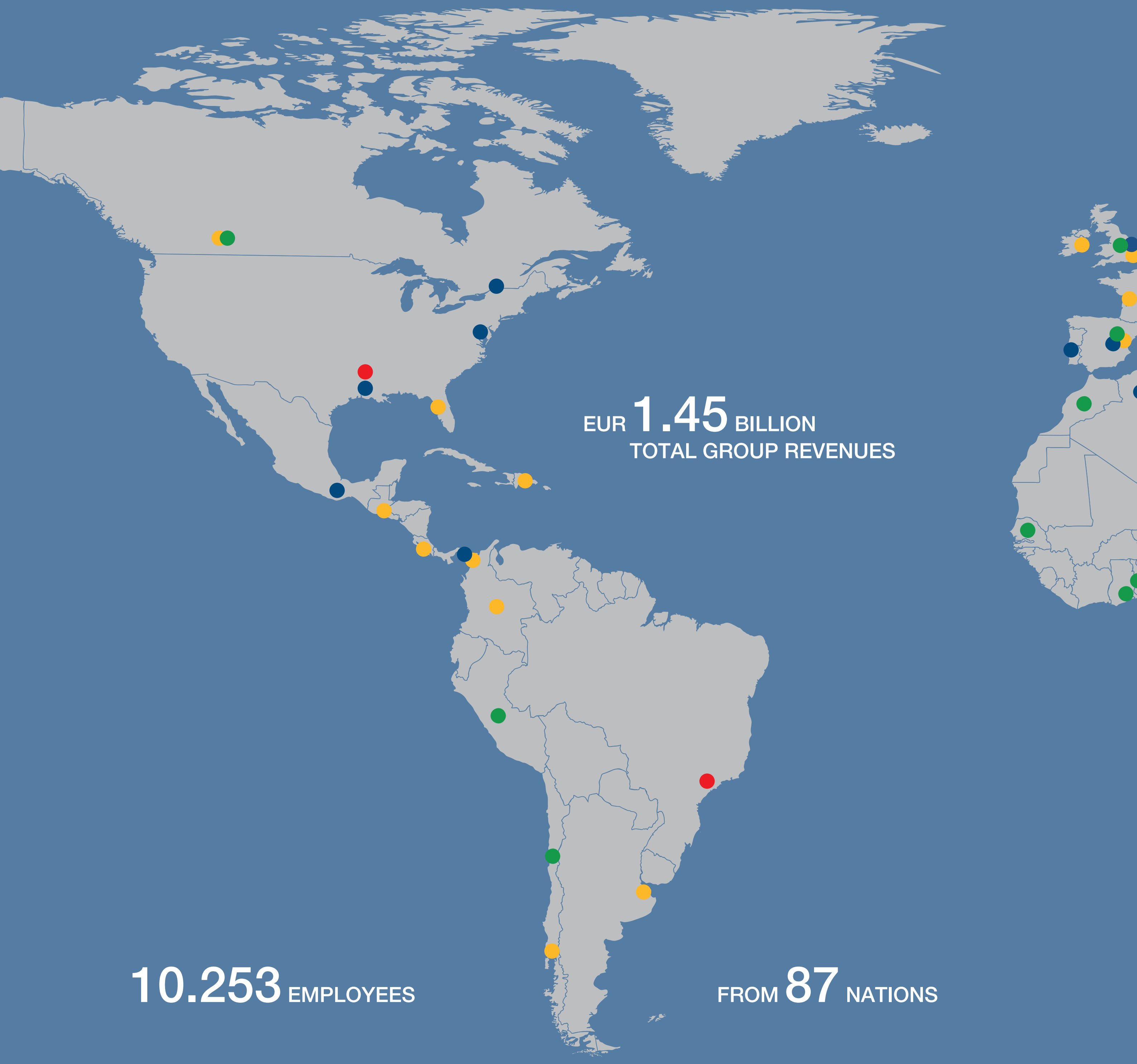
> **2012**
- During the year, the Group's global workforce topped the 10,000 mark for the first time

More information:
http://www.bauer.de/en/bauer_group/history

The World is our Market

OVER **110** GROUP COMPANIES

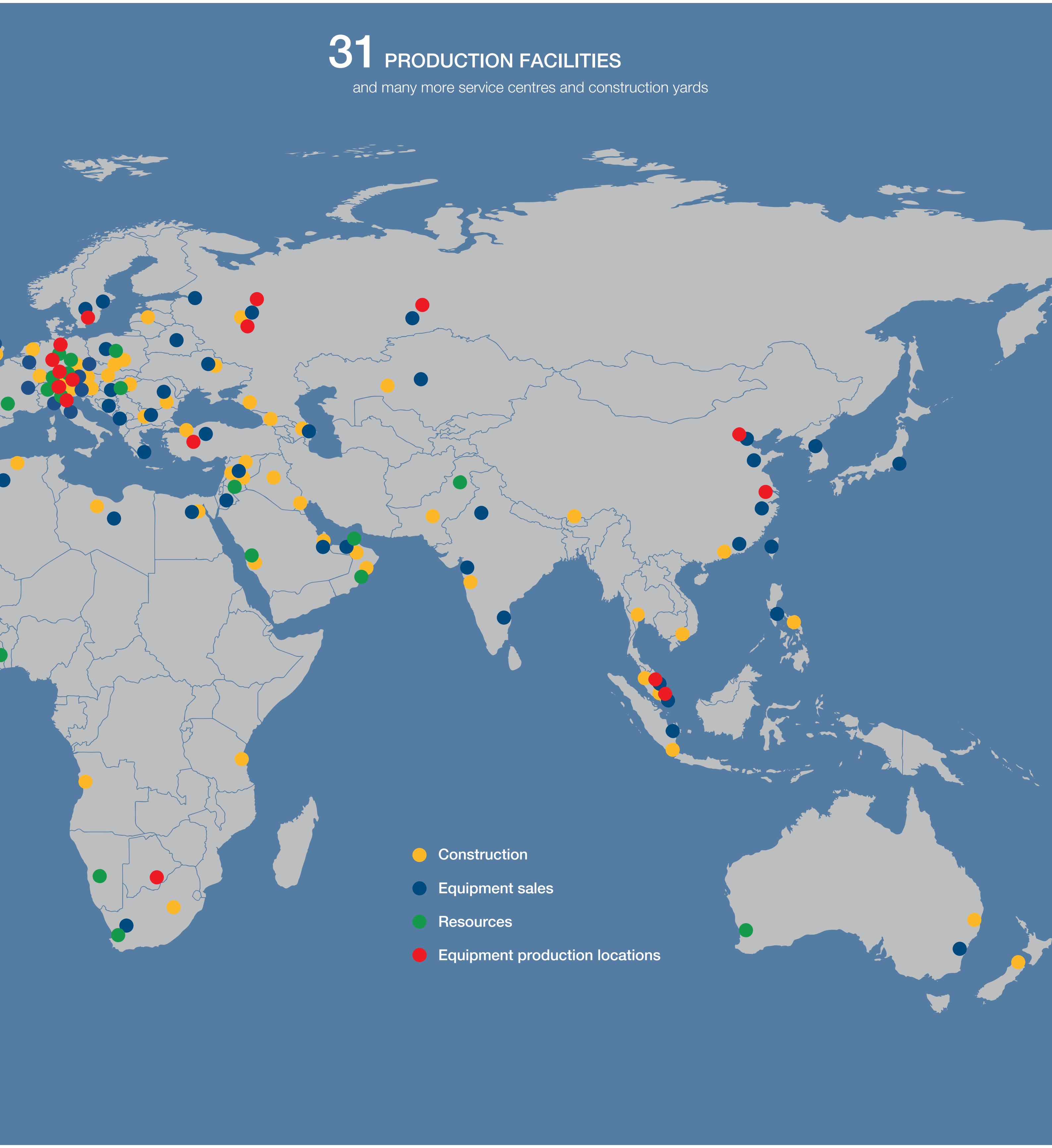
IN MORE THAN **70** COUNTRIES



EUR **1.45** BILLION TOTAL GROUP REVENUES

10.253 EMPLOYEES

FROM **87** NATIONS


31 PRODUCTION FACILITIES
and many more service centres and construction yards
Construction
Equipment sales
Resources
Equipment production locations

Highlights of 2012

Strengthening of the Sylvenstein Dam
Lenggries, Germany – Between **May and September** BAUER Spezialtiefbau GmbH carried out diaphragm walling work on the Sylvenstein dam. It installed a total of 10,000 m² of soil concrete diaphragm wall to reseal the dam core along a length of some 170 metres. The project employed a number of Bauer machines working together, including a cutter unit, several cable excavators of the MC series and a unit from Bauer Maschinen subsidiary MAT Mischanlagentechnik GmbH. Sylvenstein is the oldest reservoir in Bavaria, and is the state's most important dam in terms of flood protection. In opera-tion for more than half a century, it has now been brought up to the latest technological state of the art, enabling it to meet the expected flood challenges of the future.

Ocean Reef island project
Panama City – Two artificial islands are being constructed on millions of cubic metres of rock and sand off the densely populated coast of Panama City. The first of their kind in Latin America, the islands will be home to luxury properties and even a marina. Two 160 metre long bridges will link them and

connect both to the mainland. Between **June and October** local BAUER Spezialtiefbau subsidiary BAUER Fundaciones Panamá S.A. carried out the essential vibrocompaction works on the first island, which on completion will cover an area of more than 100,000 square metres. At peak times as many as four deep vibrators were deployed simultaneously to create the approximately 12,800 compaction points, situated at an average depth of 15 metres. BAUER Spezialtiefbau GmbH has prior experience in vibrocompaction work on an artificial island – the "Palm Jumeirah" in the Emirate of Dubai, which was officially opened in 2008.

Deep drilling rigs for emergency rescue shafts
Schrobenhausen – In the middle of **September**, PRAKLA Bohrtechnik GmbH, a subsidiary of BAUER Maschinen GmbH, agreed to supply six universal drilling rigs of type RB-T 90 to the China National Coal Development Co. Ltd. The rigs will be used as necessary to sink emergency shafts in order to rescue trapped miners quickly and safely. Chairman of the Management Board of BAUER AG Professor Thomas Bauer comments: "With this sale we have made another major step forward in implementing the strategy of our new deep drilling business. We are proud that our machines are being deployed on such an important task."

The six rigs are being built in the Bauer Maschinen plant at the corporate headquarters in Schrobenhausen, Bavaria. Their maximum drilling depth with small diameters is 3,000 metres. When drilling at 700 millimetres diameter, as specified by the customer

in China, bores can be sunk down to a depth of 700 metres. By way of comparison, this is similar in depth to the rescue shaft sunk in Autumn 2010 in Chile as part of the spectacular rescue mission which attracted headlines worldwide.

Completion of phase 2
Nimr, Oman – In late **September**, three months earlier than planned, BAUER Resources GmbH completed the expansion of its reed-bed treatment plant in Oman. The plant is now treating almost 95,000 cubic

metres of oil-contaminated water a day – twice as much as before. The plant launched its operations in early 2011. Now covering more than 700 hectares, it is one of the largest natural water treatment systems in the world.

What before was just barren desert is now also a habitat for many animals. Over 100 different species of birds have been observed at the site to date. Recently oil company Petroleum Development Oman (PDO) presented the Bauer Nimr management with its "CEO Excellence Award for Commitment to Safety" in recognition of the plant's 2.5 million accident-free working hours.

New major contracts

Hong Kong/Jeddah/St. Petersburg – The BAUER Group acquired three major new contracts in the second half of 2012: In **September**, BAUER Hong Kong Ltd. was commissioned to carry out part of the extensive foundation works for the Hong Kong-Zhuhai-Macau bridge, worth a total of approximately EUR 65 million. The work is scheduled to run until mid-2014. The mainly offshore work is being carried out by four BG 40 drilling rigs. The foundation piles are being sunk down to a depth of 90 metres below ground from several drilling platforms.

In **October**, Saudi BAUER Foundation Contractors Ltd. signed a contract worth around EUR 25 million to execute the foundations for the Kingdom Tower in the north of Jeddah, Saudi Arabia. The Kingdom Tower will succeed the Burj Khalifa – also founded on Bauer piles – as the tallest building in the world. At a planned 1,001 metres, it will be the first skyscraper to break through the kilometre mark. The foundation work involves sinking 270 piles down to a depth of 110 metres in difficult ground.

Also in **October**, the Russian subsidiary of BAUER Spezialtiefbau GmbH was commissioned to execute the foundation works for the Lakhta Tower, situated in the Lakhta suburb of St. Petersburg on the Baltic coast. As part of the project, Bauer will be installing 260 bored piles in diameters of up to two metres down to a depth of some 85 metres. Four drilling rigs – two each of the BG 40 and BG 28 models – will be deployed.

bauma China

Shanghai – In late **November**, the attention of the construction machinery world was once again focused on China. Shanghai played host to what is most likely the world's top construction machinery fair, bauma China. The show, on a 300,000 square metre site, attracted some 180,000 visitors. And BAUER Maschinen GmbH was of course also in attendance once again with a large stand. The highlights of its

showing were the launch of the new BG ValueLine series of rotary drilling rigs and the presentation of the enhanced GB diaphragm wall grab system. Bauer Maschinen subsidiary KLEMM Bohrtechnik GmbH was represented for the first time, exhibiting one of its small-diameter drilling rigs.

More information:
http://www.bauer.de/en/bauer_group/world

Mission and Strategy

OUR MISSION

>>> SERVICES, EQUIPMENT AND PRODUCTS DEALING WITH GROUND AND GROUNDWATER

BAUER MASCHINEN

>>> Target: ~ 40 percent of total Group revenues

>>> Market leader in specialist foundation engineering machinery and equipment

>>> New products for mining, deep drilling and offshore drilling

>>> 80 percent of sales generated outside of Germany

>>> Multi-branding strategy

RTG RAMMTECHNIK GMBH

KLEMM Bohrtechnik

PRAKLA Bohrtechnik

MAT Mischanlagentechnik GmbH

EURO DRILL

TracMec

SPANTEC Spann- & Ankertechnik GmbH

PILECO

BAUER DEWET

FAMBO

ABS Trenchless

SYSTEM HAUS HERR

WÖ

SBN SCHACHTBAU NORDHAUSEN

BAUER SPEZIALTIEFBAU

OUR STRATEGY

>>> The world is our market.
>>> World market leadership in specialist foundation technologies.
>>> Powerful development of drilling techniques and applications for related markets such as resources, water and energy.
>>> Optimization of worldwide organizational structures and of the Group's self-managed business units.
>>> Annual growth from 5 to 12 percent.

BAUER RESOURCES

>>> Target: ~ 20 percent of total Group revenues
>>> Activities in environmental technology, mining, deep drilling, well construction, materials

>>> Target: ~ 40 percent of total Group revenues
>>> Global provider of specialist foundation engineering servies
>>> Specialist construction services
>>> Focus on complex international projects


BAUER BG 40
BAUER
1

Group Management Report

I. THE GROUP

The products and services of the BAUER Group, based in the Bavarian town of Schrobenhausen, are focused on the ground and groundwater fields. The Group's three segments – Construction, Equipment and Resources – operate more than 110 subsidiary companies in some 70 countries worldwide.

The Construction segment carries out all the established methods and techniques of specialist foundation engineering all over the world. This includes executing complex excavation pits, foundations for large-scale infrastructure projects and buildings, cut-off walls and ground improvement. It also carries out other specialist construction activities, including civil engineering and remediation works.

The Equipment segment develops and produces construction machinery, equipment and tools for the specialist foundation engineering sector as well as for other underground drilling operations, such as for mines, water wells, geothermal energy sources, and oil and gas extraction. In addition to its headquarters in Schrobenhausen, the Equipment segment operates a global distribution network, as well as additional production facilities in Germany, China (Shanghai and Tianjin), Malaysia, Russia (at three locations), Italy and the USA, among other locations. With exports accounting for around 80 percent of its total sales, BAUER Maschinen GmbH is the world market leader in specialist foundation engineering equipment.

The Resources segment focuses on products and services in the fields of water, energy, mineral resources and environmental technology. It grew out of existing businesses in the long-established Construction and Equipment segments. BAUER Resources GmbH is the holding company of this most recently created segment, overseeing its three competence areas: Materials, Exploration and Mining Services, and Environment.

BAUER Aktiengesellschaft is the holding company of the Group, and is listed on the Frankfurt Stock Exchange. BAUER AG provides central management and service functions for its affiliates. These specifically include human resources, accounting, finance, legal and tax affairs, IT, facility management, and health, safety and environment (HSE).

CORPORATE GOVERNANCE

The Group's strategy is overseen by the Management Board of parent company BAUER AG. Beneath that level, the main companies in the three operating segments – Construction, Equipment and Resources – develop their own detailed strategies which are converged at holding company level and integrated into the strategic corporate planning process.

The development and implementation of a self-managing organizational structure with decentralized business units unburdened by complex decision-making hierarchies is the primary characteristic of corporate governance within the BAUER Group. The managers of those Group companies operate under their own responsibility, and are provided with a large degree of independence within the framework of the corporate strategy in determining how their business units progress.

The successful ongoing development of the Group will be founded on even closer global interlinking of those decentralized units – including the introduction of cross-segment regional management meetings. The basic principles and policies governing the autonomous management of the operating divisions are set out in the core management instrument – the Corporate Management Manual. It lays down the principles of corporate governance which form the basis for the ethical and moral conduct of the company's management in carrying out the company's business. Framework guidelines and codes of conduct are defined in writing, and implemented by BAUER Group managers in the various segments, divisions and individual companies.

Systems and departments handling central functions assist in implementing standard processes and support the work of the operating units by providing the necessary backup services. The self-managing structure is linked to a centralized system of risk management and control, and to a central Group accounting function. Internal auditing systems monitor compliance with laws and standards across the Group.

<<< *The tunnelling work on the Luise-Kiesselbach-Platz project in Munich has been in progress since 2009. In December 2012 BAUER Spezialtiefbau GmbH installed the last of a total of 10,091 bored piles. Bauer's work is scheduled to be completed by mid-2013.*

Statements regarding the role of the Management Board and Supervisory Board and in relation to other issues of corporate governance are set out in the Declaration on Corporate Governance on pages 86 to 89 of this Annual Report, which is published on the Internet at http://www.bauer.de/en/investor_relations/reports/ in the Investor Relations section under Reports & Accounts.

STATUTORY DISCLOSURES REGARDING TAKEOVERS

The following disclosures are made pursuant to section 315, subsection 4 of the German Commercial Code (HGB) as per December 31, 2012.

Composition of subscribed capital

The subscribed capital (share capital) of BAUER AG remains unchanged at EUR 73,001,420.45 and is divided into 17,131,000 no-nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. Each share entails equal rights, and entitles the holder to one vote at the Annual General Meeting, with the exception of share categories precluded from voting by law pursuant to section 136 of the German Stock Corporation Act (AktG) and section 28 of the German Securities Trading Act (WpHG).

As in the previous year, 51.81 percent of the shares were in free float. The members of the Bauer family own a total of 8,256,146 no-nominal-value shares in BAUER AG on the basis of a pool agreement, representing a 48.19 percent share in the company. The pool agreement provisions include binding voting commitments as well as a right of pre-emption of pool participants if any member of the pool sells shares to third parties. No other direct or indirect holdings of BAUER AG share capital exceeding 10 percent of the voting rights are known to the company.

None of the shareholders has special rights entailing controlling powers. Nor does any voting rights control exist on the part of the employees holding shares in the capital.

Authority of the Management Board to issue or buy back shares

Section 4 subsection 4 of the company's Articles of Association states that the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or more than once up to June 27, 2017 by up to a total of EUR 7.3 million by the issue of new no-nominal-value bearer shares against cash and/or non-cash contributions (2012 authorized capital). To that end, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

- in the event of capital increases against non-cash contributions;
- in the event of capital increases against cash contributions where the issue amount of the new shares issued is not materially below the market price of the already quoted shares at the time of definitive setting of the issue price and the shares issued excluding shareholders' subscription rights pursuant to section 186, subsection 3, clause 4 AktG do not in total exceed 10 percent of the existing share capital either at the time this authority takes effect or at the time of exercising this authority. Shares which have been sold or issued, or which are to be issued, in direct or corresponding application of section 186, subsection 3, clause 4 AktG while this authority is in place until such time as it is exercised, pursuant to other authorities, excluding subscription rights, are to be set off against the said limit;
- to balance out fractional amounts.

By resolution of the Ordinary Annual General Meeting held on June 24, 2010, the company was authorized to acquire treasury stock, over a limited period up to June 23, 2015, representing up to a total of 10 percent of the company's share capital at the time the resolution was passed. The shares shall be acquired at the discretion of the Management Board by means of a public tender offer or by way of the stock market. If the acquisition is effected by way of the stock market, the acquisition price (excluding ancillary costs) may be no more than 10 percent above or 20 percent below the price determined by the opening auction on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange. If the acquisition is effected by means of a public tender offer, the purchase price or the limits of the purchase price span per share (excluding ancillary costs) may be no more than 10 percent above or 20 percent below the average of the closing prices per share in the company in Xetra trading (or a comparable successor system) on the three trading days prior to the day of issue of the public tender offer. If not insignificant variations of the decisive share price occur after the day of issue of the public tender offer, the purchase price may be adjusted.

The Management Board shall be authorized to appropriate shares in the company acquired pursuant to the above authorizations for all legally admissible purposes. Consequently, the acquired shares may also in particular be sold by means other than by way of the stock market or by means of an offer to the shareholders, if the shares are sold for cash at a price (excluding ancillary costs) not materially below the price determined by the opening auction on the trading day for shares in the company in Xetra trading (or a comparable successor system). The shares may also be sold in return for non-cash payment, provided this is done for the purpose of effecting company mergers or acquiring companies, parts of companies, shareholdings in companies or other assets. The aforementioned shares may be redeemed without need of a further Annual General Meeting in order to approve the redemption or its execution. With regard to use of the bought-back shares, the authorization provides, in specific cases, for legal rights of subscription of shareholders to be excluded. The facility to acquire treasury stock has not been utilized to date.

Appointment and termination of appointment of Management Board members, amendments of the Articles of Association

The appointment and termination of appointment of members of the Management Board of BAUER AG is regulated by sections 84 and 85 of the German Stock Corporation Act (AktG) and sections 30 ff. of the German Codetermination Act (MitbestG) in conjunction with Articles 5 and 6 of the company's Articles of Association. Pursuant to the company's Articles of Association, the Management Board comprises at least two persons, who are appointed by the Supervisory Board for a maximum term of office of five years. At present the Management Board comprises three members appointed by the Supervisory Board and a Chairman of the Management Board, as well as a Labour Director. It is permissible to reappoint or extend the appointment of a member of the Management Board for a further maximum term of office of five years. Any appointment or reappointment requires a decision by the Supervisory Board, which may be taken no earlier than one year prior to the end of the relevant term of office. The Supervisory Board may rescind an appointment to the Management Board or an appointment as Chairman for good cause. The Presidial and Personnel Committee of the Supervisory Board prepares the Supervisory Board's decisions on the appointment and termination of appointment of Management Board members and concerns itself with the long-term planning of successor members for appointment to the Management Board.

In accordance with section 119, subsection 1 clause 5 and with section 179 AktG, the amendment of the Articles of Association is passed by the Annual General Meeting with a majority of at least three quarters of the share capital represented at the vote. Pursuant to Article 12 of the Articles of Association, the Supervisory Board is authorized to pass amendments to the Articles of Association which relate only to its wording. The Supervisory Board is further authorized to adapt the wording of Article 4 of the Articles of Association (amount and division of the share capital) following full or partial execution of the increase in share capital or on expiration of the authorization period according to the respective utilization of the authorized capital.

Change-of-control clauses

Several long-term loans with outstanding amounts at the accounting reference date totalling EUR 225.5 million which BAUER AG has agreed together with other Group companies as the borrower or guarantor stipulate a right of termination for cause on the part of the lender in the event of a change of control in BAUER AG. A change of control is considered to have taken place where a third party, not forming part of the circle of existing main shareholders, directly or indirectly acquires control of at least 30 percent or the majority of voting shares in BAUER AG. Any loaned amounts would have to be repaid in the event of termination. The terminated credit line would no longer be available for new borrowing.

Additional short and long-term loan agreements also exist within the Group which provide for a right of termination for cause, at market terms, in the event of a change of control.

II. MACRO-ECONOMIC TREND

GLOBAL ECONOMY AND MARKETS

There is at present little pleasure to be taken in observing trends in the global economy, and especially in some individual regions. Following on from the many problems caused by the financial crisis, new sources of crisis persist in arising – some as consequences of the original crisis, but some also for other reasons. As a result, the economic trend is not experiencing two-dimensional up and down movement, as it is often simplistically described, but rather is being buffeted by overlaying wave systems like the cross-seas encountered in an ocean. This means that companies are having to adjust to very rapid positive and negative changes, which poses a major challenge for the management and the workforce as a whole.

This effect is also negating the idea that Germany has entered a long-term period of stability delivering a steady upward trend. It is, of course, true that Germany has done better than most other European countries over the last decade. Unit labour costs have been lowered, and the country's industrial structure has been much improved. Consequently, there is not the same dependency on the service sector, which in other countries has been pushed much too strongly.

Nevertheless, Germany likewise still has major deficits, as well as burdens from the past to overcome. Examples of those issues include the substantial demographic problem, and the huge commitment entailed by the so-called "Generationenvertrag" social contract in relation to pension insurance. Moreover, there is a lack of awareness among the public at large that other countries are beginning to overtake us in the vital areas of education and technical innovation. These are risks which will confront us in future.

In recent years, Germany has built a strong competitive edge over other European countries in the engineering sector especially. Car manufacturers, in particular, have been enjoying steady growth. Daimler, Audi, BMW and VW have achieved that growth based on assured management and sound strategies. Their success has been shared among their many component suppliers, the steel industry and also the plant and machinery manufacturers, so that Germany as a whole has enjoyed excellent growth.

Germany's construction industry has also done very well in the past two years, helping to boost the economy still further. The trend in housing construction has been very strong, primarily due to public concerns that their money might be devalued as a result of the economic troubles around Europe, but also because of low interest rates and a lack of profitable alternative investment forms. Property prices have risen considerably as a result. This cannot yet be described as a "bubble" however, because the number of residential newbuilds is still below the forecast long-term demand. Growth rates in the construction industry in 2011 were outstanding. By contrast, 2012 was already beginning to show signs of a marked downturn. In view of the sound foundation created by the previous year, this was not in itself problematic, but it did indicate the future direction.

Construction market statistics for Germany – Change: 2012 against 2011

in %	Germany overall	West Germany	East Germany
Sales	1.2	2.2	-2.5
Hours worked	-1.5	-0.4	-4.6
Employees	2.0	2.7	-0.3
Orders received	6.8	7.5	4.3

Source: German Construction Industry Confederation

The individual sectors within the German construction market are currently varying widely in their performance. Housing construction is the motor, whereas industrial and commercial and public-sector building projects are likely to lose momentum notably in the near future. Since the BAUER Group operates in those two latter sectors, we expect growth in our construction business in Germany to be somewhat hampered. The industrial and commercial construction sector was still performing well in 2012, in line with the general upward trend in the economy. As the economic trend turns downward, however, the sector will fall back too. Trends in public-sector construction are negative due to the expiry of economic stimulus programmes following the financial crisis and as a result of the budget problems being encountered by many public bodies in Germany.

Demand in the global construction industry is very strong overall, though it is overshadowed by a wide range of political troubles. There is substantial demand for construction services resulting from major backlogs all over the world. There has been far too little investment in the western economies, in the European Union, the USA and Canada, in recent years. A significant backlog has arisen in terms of renewal of infrastructure and the need for building stocks to be renovated and expanded. Virtually everywhere, current construction capacities will be unable to eliminate the shortfalls in the foreseeable future.

The economies in former Communist or Socialist ruled countries did not previously have the resources needed to build the necessary infrastructure and adequate housing. Today they are having to make good past deficits, and it is something which will take many years to accomplish. In the countries of the Middle East there was no motivation to invest prior to the discovery of oil and gas, whereas nowadays the resultant wealth, allied to rapid population growth, has triggered a sustained construction boom. In the former so-called Third World, too, demand for construction is growing steadily, as many of the countries concerned are realizing significant growth potential thanks to their raw material resources or in some cases also based on prudent governance.

However, the fundamentally positive situation in terms of demand for construction services is being hampered by a variety of troubles in many different countries. These notably include the huge impact of political unrest, especially in the Arab world, which is causing considerable turbulence and is also a worry to the countries not affected by it. The conflicts in Egypt, Libya and Syria are examples.

The eurozone is having major problems dealing with the excessively high levels of debt in most of its member countries, and that is dampening the economic climate. Some European countries are also still suffering heavily from the after-effects of the financial crisis. In the USA, the disagreement between the two big political parties is hampering attempts to build a strategy to deal with the country's hugely excessive debt. In Japan, a massive capital investment programme has been launched, despite the country likewise being heavily in debt. In China, too, government-backed programmes are attempting to boost economic growth rates back up to earlier levels.

It is almost impossible to predict the future development of the global construction business in the face of so many and diverse influencing factors, both positive and negative, or even based on the underlying demand situation. Each individual country is coming to different conclusions based on the wide-ranging factors in play, and investor behaviour across the various regions is also varying widely as trends continually rise and fall. So it is no wonder that the construction sectors are seeing differing trends in each national market. Whereas some countries – such as Spain, Ireland and the UK – are experiencing a deep recession in their construction industries, elsewhere around the world – including in Malaysia, Hong Kong, and Germany too – very positive trends are being seen.

As a result, companies operating in regions where the sector is healthy are doing very well. Conversely, in the weaker countries business is very bad. And because cycles have become very short, things are changing ever more rapidly. Only companies with a very wide spread around the world are able to track those changes and quickly utilize new trends.

The BAUER Group is one of those companies. Nevertheless, we have to admit that our strategy, while delivering stability, does cause some problems in times such as these. The large number of countries which are suffering, in which we are mostly active, is impacting on us so heavily that our performance overall in 2012 was unsatisfactory. We do believe, however, that stability for the business as a whole is more important, so we can live with somewhat weaker results in the short-term.

The situation on construction markets is also impacting on machinery sales, of course. When markets are in decline, the effects are felt more by machinery manufacturers than the construction sector, because secondary markets respond much more to fluctuations in their primary markets. If the construction market in one country declines, for example, its construction companies can often keep operating for years using their existing machinery capacities, so causing the machinery market in some countries to collapse completely. The situation when construction markets are growing is the reverse. This explains the substantial fluctuations in construction machinery markets worldwide and our slightly weaker sales situation in the previous year.

The biggest impact on the construction machinery market currently is coming from China. On the back of the enormous growth seen in the country's construction market in recent years, machinery sales have seen an even more dramatic boom. During that time, Chinese construction companies have bought more than half of all global production of the various machines. Many local manufacturers saw that as a sign that the trend would stay the same in future, and so they built up substantial production capacities for construction machinery.

Since the Chinese construction market stopped growing – or grew by only a small amount – in 2012, demand for new machinery also fell back down to a normal level. But now machinery capacities far outstrip demand. This situation will dissipate only gradually over the coming years. Manufacturers of standard construction machinery will have to contend with strong competition for quite some time yet.

Only companies that serve niche markets or make machinery to custom specifications, will be in a position to avoid that competition to some extent. We in the BAUER Group have consistently pursued a niche policy in our machinery business in recent years. Our products are not designed for the mass market, but for difficult ground conditions. For that reason, we are confident that we will be able to maintain our position at the margins of the competitive environment. We are, however, also aware of the major efforts that will be needed for our machinery to uphold the very high quality standards and technology lead in the application of construction techniques. We are working concertedly to ensure that.

One particular factor impacting on construction markets relates to the changes stemming from the nuclear disaster in Fukushima, Japan. In Germany, and in other countries around the world, fundamental policy shifts have been implemented towards the use of renewable energy sources. Some other countries have instigated major development programmes for renewables. For the construction industry this entails new demand, which will have to be met by often entirely new technological processes. This is fundamentally a great opportunity, but it does also entail some risk.

In recent years a number of large construction companies have invested heavily in new technologies and equipment so as to be well prepared to handle the expected substantial new work. The policy and planning steps needed to move forward have slipped well behind the original schedule, however, and many of the new developments are not yet practicable – entailing negative consequences for the companies concerned. On the German coastline, new erecting ships are continually coming off the production line for the construction of wind farms, but they have not yet been put into operation. And structural steel capacities for the construction of wind turbines in the North Sea and the Baltic are lying unused.

Our investments in the sector have been targeted not at the large structures but at smaller units, so we do not see any particular risk to us in that respect. We are even convinced that our rigs, designed to handle smaller-scale foundations for wind and tidal turbines, could be deployed more quickly on the market. All in all, it remains to be hoped that policymakers will quickly establish the framework conditions for the construction industry to do its work.

Another interesting shift might deliver major change in terms of economic trends and the balance of power on global markets in the decades ahead. Until recently, the prevailing opinion was that fossil resources were of economic benefit to only a small number of countries around the world. In the last few years, however, new deposits have been discovered which should enable existing global dependencies to be much reduced, providing more countries with opportunities to generate revenue from the extraction of raw materials. Examples of these new opportunities include the production of natural gas by fracking, and drilling for coal bed methane. This will be a major help to the USA in restoring its economy to healthier levels.

So the prospects for future trends on construction markets around the world vary widely:

- In Germany, we expect to see a construction market developing roughly at the level of last year.

- Western Europe will be battling the effects of the crisis for a number of years to come. Almost all the countries in the region have accumulated debts over the past decades which will force them to make cuts in future years.

- The construction sector in Eastern Europe has been brought down to such a low level by the crisis that any change would be an improvement. Nevertheless, positive developments will be slow to emerge. By contrast, Russia will recover much faster, thanks to its substantial oil and gas reserves and wealth of many other natural resources. Large numbers of new construction projects were already appearing on the market last year.

- The countries of the Middle East will continue to profit from supplying the world with oil and gas, and so will be able to sustain their development virtually unhindered. This remains true despite the significant decline in the construction sector during 2011 and 2012 as a result of the political unrest in the region.

- Trends in Central Asia are generally positive. Economies such as that of Kazakhstan are profiting from their huge mineral resources as the basis for growth. In India, where future prospects are in fact positive, the construction market last year was a great disappointment. Though there were enough projects to go round, they could not be progressed satisfactorily due to a whole range of bureaucratic issues. Motorways were not built, because the necessary land could not be purchased. Office buildings were not constructed, because the infrastructure was not available. India demonstrates that a boom can also have negative effects which become uncontrollable. It remains to be hoped that the obstacle will be overcome this year and the construction industry will once again be able to grow.

- In the Far East, rapid economic growth will be sustained by enormous backlogged demand. In countries such as Malaysia, Hong Kong, and Indonesia too, major efforts are being undertaken to upgrade the infrastructure to a high level. In some areas, this is already resulting in signs of overheating. Following a massive collapse of construction markets, China has launched major new infrastructure projects which give rise to the prospect of a renewed upsurge.

- The situation in the USA is very uncertain. The perceived need to make cuts is countered by the awareness that public-sector investment in construction is urgently needed in order to stabilize the economy as a whole in its tentative upward trend. Moreover, the USA has a greater backlog of essential infrastructure renewal than any other country in the western world. The political parties are arguing bitterly about how best to implement a radical programme of cuts. Nevertheless, we believe that there will still be enough construction work to keep us busy in the future.

- Africa has strong potential to share in economic development – more so than in the past – since many African countries have major opportunities for growth due to their substantial raw material resources.

In the face of all the issues described, a number of vitally important challenges which also need to be met have been pushed into the background. In Germany and many other countries, demographic trends are posing major economic challenges. Environmental problems, particularly air pollution, are rising. In this context, too, necessary policies are currently no longer being pursued with the same commitment as they were just a few years ago, when environmental issues were seen as the major risk to global economic development. Dialogue with major polluters, such as China, must be intensified. The financial burdens which we will face in confronting these issues over the coming years will be considerable – though also of course opening up major opportunities to businesses operating in the field.

These issues are opening up wide-ranging new opportunities for us too. In operation for several years now, our Resources segment is focused on matters relating to the environment, water and natural resources. It has already achieved success in many countries around the world, and we believe that demand for these products and services will continue to grow strongly.

The BAUER Group is well set, both regionally and through its three segments, to cope with these turbulent times. After years of concerted development, our Construction, Equipment and Resources segments are well represented on all world markets, enabling us to balance out any variations in market trends. Our strong presence in the Far East, in particular, provides us with some attractive growth opportunities for the coming years. And the strategic thinking behind our products and services is also demonstrating its efficacy in the current situation.

The specialist foundation engineering sector is no longer growing at the rates seen during the extreme boom years prior to the financial crisis. It will nevertheless continue to grow as a proportion of overall construction volumes. The major cities of the world will need more and more infrastructure in order to protect their traffic systems from gridlock. The massive lack of space in city centres means that more and more transport routes are having to be installed underground or on elevated highways and bridges. This will open up a greater role for foundation engineering specialists. The shortage of land is also forcing developers of city centre building projects or industrial installations to rely increasingly on brown-field sites which first have to undergo technical ground improvement measures. Our machinery selling business, too, will profit from this trend over the coming years.

As already mentioned, the future development of our business will be particularly focused on our Resources segment. The BAUER Group offers a broad range of different products and services, so we are very confident of our ability to generate healthy growth. We have also been expanding our machinery manufacturing operations in these fields with new product developments in recent years. Today we offer a complete range of deep drilling rigs for geothermal energy, oil and gas and water well applications. The newly developed specialist rigs for sinking the foundations of power plants – both wind and tidal turbines – beneath the sea are attracting great interest on the market. Unfortunately, the market is not yet progressing adequately due to regulatory obstacles.

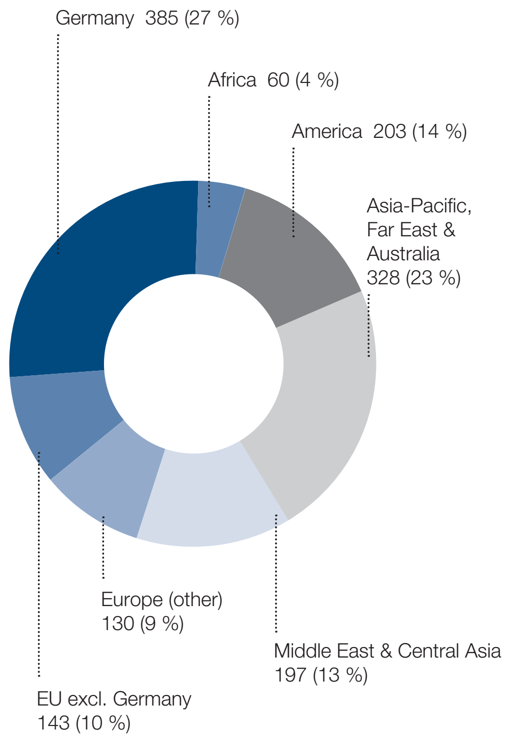
In summary, it can be stated that the world remains in a period of major change and uncertainty. Business decisions will have to be made in the face of both major disturbances and strong opportunities. The BAUER Group is keeping a close eye on the changes taking place, and is making major efforts to utilize opportunities and minimize risk based on flexibility and rapid response. Overall, we remain on course to achieve further growth. Our revenues will soon recover back above those of the boom year 2008.

COURSE OF BUSINESS

After the difficult years in the shadow of the financial crisis, in the year under review the BAUER Group further stabilized its business performance with a 5.4 percent increase in **total Group revenues** to EUR 1.45 billion. **Sales revenues** rose by 10.2 percent to EUR 1.34 billion. The decline in **net profit** to EUR 25.3 million (previous year: EUR 34.1 million) was down to a wide range of different factors impacting on earnings in the year under review.

Geographical breakdown of total Group revenues

in EUR million



We began 2012 with a plan for growth. The global economy appeared to be generally returning to an upward trend, and demand for construction services was considerable. After a few months we found, however, that the troubles hanging over from the previous year were persisting in many regions around the world, and that new negative factors were impacting severely on growth prospects in some countries. This was something we had not expected.

- In China, the downturn in construction demand which had begun in late 2011 persisted virtually all year long.

- In India, the construction boom of recent years was very severely curtailed because the Indian government failed to cope with the administrative consequences.

- In Russia, construction works in preparation for the Winter Olympics in Sochi were coming to a close and new large-scale projects were delayed.

- In the Arab countries, the negative effects of the popular uprisings and the political upheaval depressed construction activity throughout the period.

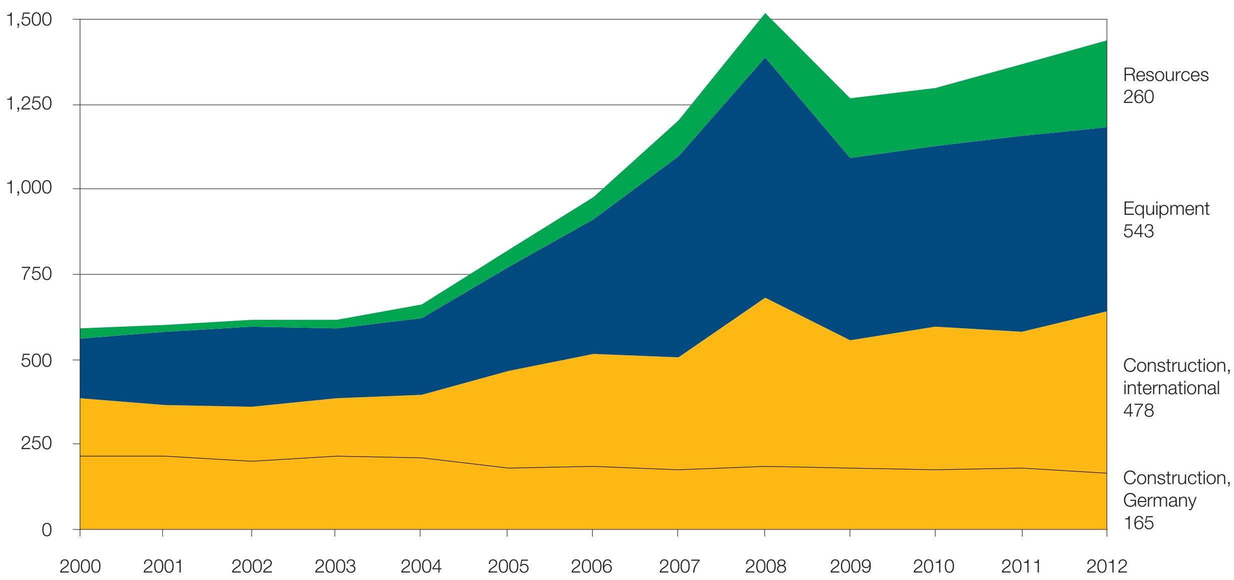
- In the USA, budget problems led to major policy disputes.

There were also wide-ranging less significant issues which one might also list as factors in addition to the main drivers already mentioned. Although positive trends were seen in some regions, quite early in the new year we had to accept that, in our machinery business especially, we were not going to match our previous year's performance levels – or even achieve the growth we had planned. The output of our Construction and Resources segments was roughly to plan, though earnings in both were negatively impacted by work in difficult environments and by problems on some large projects. Our Resources segment made a significant loss arising from its well construction projects in Jordan. That effect was balanced by a highly positive outcome to our water treatment project in Oman. In the Construction segment, the sale of a real estate development project brought a healthy extraordinary profit. All in all, therefore, our performance in 2012 fell well below our expectations.

In the **Construction segment**, **total Group revenues** rose by 8.3 percent to EUR 656.8 million. **EBIT** improved as a

Development of total Group revenues by segment

in EUR million (segments after deducting Other/Consolidation)



result to EUR 21.8 million (+21.9 percent), while the **net profit** increased by 65.0 percent from EUR 5.1 million in the previous year to EUR 8.4 million.

In the **Equipment segment**, **total Group revenues** fell by a significant 6.3 percent against the previous year to EUR 596.1 million. Segment **EBIT** declined correspondingly by 36.4 percent from EUR 53.0 million to EUR 33.7 million, reflecting the negative proportionate effect of fixed costs. **Net profit** was down 62.6 percent at EUR 8.7 million.

The **Resources segment** improved its **total Group revenues** by a substantial 24.8 percent to EUR 263.9 million. Segment **EBIT** rose by 39.2 percent to EUR 15.2 million. **Net profit** increased correspondingly by 52.3 percent to EUR 5.6 million.

There were minor changes in the allocation of business operations to the various segments during the year under review. The previous year figures have been adjusted accordingly.

For the Market Street Tower project in Singapore, Bauer Malaysia deployed as many as four drilling rigs at a time to construct a secant pile wall for the excavation pit and to install the necessary foundation piles in 3.50 m diameter.

Breakdown of total Group revenues by subsegment

	in EUR million	2011 revenues	2012 revenues	Share 2012	Change against previous year	Orders in hand
Construction	BAUER Spezialtiefbau GmbH (BST)					
	BST, Germany	106.7	101.1	7.0 %	-5.2 %	•
	Subsidiaries, Germany	14.5	20.3	1.4 %	40.0 %	•
	BST, International	79.9	86.6	6.0 %	8.4 %	+
	Subsidiaries, International	401.9	487.9	33.8 %	21.4 %	+
	BST Group total	**603.0**	**695.9**	**48.2 %**	**15.4 %**	**+**
	SCHACHTBAU NORDHAUSEN GmbH incl. segment subsidiaries (SBN) *	71.9	44.9	3.1 %	-37.6 %	-
	SPESA Spezialbau und Sanierung GmbH	17.2	20.9	1.4 %	21.5 %	•
	less intra-Group revenues and IFRS adjustments *	-85.5	-104.9	-7.3 %		
	Construction total	**606.6**	**656.8**	**45.4 %**	**8.3 %**	**+**
Equipment	BAUER Maschinen GmbH (BMA)	410.0	356.3	24.6 %	-13.1 %	-
	Equipment subsidiaries	428.1	418.2	28.9 %	-2.3 %	•
	BMA Group total	**838.1**	**774.5**	**53.5 %**	**-7.6 %**	**-**
	SBN *	52.2	53.0	3.7 %	1.5 %	-
	less intra-Group revenues and IFRS adjustments *	-253.8	-231.4	-16.0 %		
	Equipment total	**636.5**	**596.1**	**41.2 %**	**-6.3 %**	**-**
Resources	BAUER Resources GmbH (BRE)	7.2	8.7	0.6 %	20.8 %	
	Resources subsidiaries	224.2	266.0	18.4 %	18.6 %	++
	BRE Group total	**231.4**	**274.7**	**19.0 %**	**18.7 %**	**++**
	SBN	18.4	25.9	1.8 %	40.8 %	++
	less intra-Group revenues and IFRS adjustments	-38.3	-36.7	-2.5 %		
	Resources total	**211.5**	**263.9**	**18.3 %**	**24.8 %**	**++**
Other	BAUER Aktiengesellschaft (BAG)	36.2	40.5	2.8 %	11.9 %	
	Other subsidiaries	2.1	2.2	0.2 %	4.8 %	
	Total Other/services	**38.3**	**42.7**	**3.0 %**	**11.5 %**	
	less intra-Group revenues and IFRS adjustments	-121.1	-113.9	-7.9 %		
	Group total (including minority interests)	**1,371.8**	**1,445.6**	**100.0 %**	**5.4 %**	**+**
	of which: Germany	370.3	385.3	26.7 %	4.1 %	
	International	1,001.5	1,060.3	73.3 %	5.9 %	

* See footnote for Construction segment, page 27

Notes on the table:
- List also includes non-consolidated holdings
- Valuation of orders in hand relative to budgeted sales:
  -- weak; - slightly weak; • adequate; + well adequate; ++ very well adequate;
- Percentages and total are calculated on the basis of unrounded starting values
- Breakdown Germany/international according to country in which accounting figures were allocated. For reasons of complexity the figures are not absolutely precise.

III. TREND BY SEGMENT

CONSTRUCTION SEGMENT

Construction segment key figures

in EUR '000	2011	2012	Change
Total Group revenues *	606,598	656,834	8.3 %
Sales revenues *	506,227	579,069	14.4 %
Orders received *	717,672	704,607	-1.8 %
Orders in hand *	465,314	513,087	10.3 %
EBIT *	17,866	21,784	21.9 %
Net profit or loss *	5,100	8,413	65.0 %
Employees (on average over the year)	5,113	5,454	6.7 %

* The Environmental Technology division of SCHACHTBAU NORDHAUSEN GmbH was transferred from the Equipment segment to the Construction segment. The previous year figures have been adjusted accordingly.

The Construction segment achieved substantial growth in 2012 after having seen a decline in the previous year. **Total Group revenues** increased by 8.3 percent from EUR 606.6 million to EUR 656.8 million. Segment **EBIT** increased from EUR 17.9 million to EUR 21.8 million. **Net profit** improved from EUR 5.1 million to EUR 8.4 million. The sale of a real estate development project provided an extraordinary contribution on earnings

In 2011 revenues and earnings had declined due to troubles such as in the Arab world, the debt crisis and the consequences of the earthquake and tsunami and resultant nuclear accident in Japan. Other factors impacting on performance were problems on large projects including in Hong Kong and Panama. Those projects were completed in 2012. The significant rise in total Group revenues in financial 2012 stems primarily from the handling of some major projects, particularly in Malaysia, Hong Kong, Australia and the UK. The improved ratio of costs to revenues, alongside the extraordinary effect of the real estate development project, led to correspondingly healthy earnings growth.

Germany

The German construction market performed better than expected in the past financial year. Consequently, revenue and earnings targets were surpassed. On the other hand, there are relatively few large-scale construction projects up for acquisition, so competitive pressures and the attendant low price levels still persist.

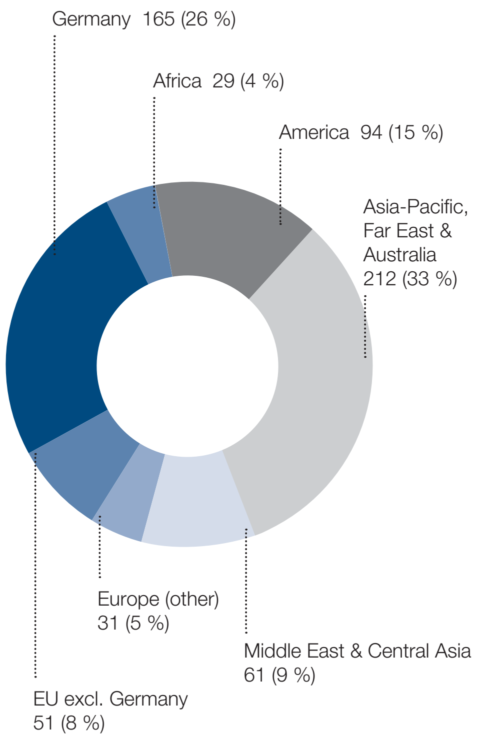
The increase in revenues was achieved, among other factors, thanks to the Sylvenstein Dam project, an approximately EUR 11.5 million contract which was successfully completed in the course of the year. Further progress was also made on the large-scale Mittlerer Ring road project in Munich. Work on it is scheduled for completion in September 2013. In the second half of 2012 other major contracts were acquired. Consequently, we are planning for a stable trend in revenues and earnings in our Germany business over the next year.

SCHACHTBAU NORDHAUSEN GmbH, which operates primarily in Germany, works on behalf of all three of the Group's segments. The company's total revenues, including subsidiaries, were down against the previous year, though its earnings were up. We expect to see a clearly positive trend in 2013. The effects of performance in the individual segments are detailed in the respective segment reports. The Construction segment, which was completely reorganized in the year under review, achieved revenues at a virtually stable level. It largely ceased bridge-building activities, whereas its operations in the remediation field were significantly expanded. Earnings overall were negative, but the reorganization has already proved profitable. The Environmental Technology division – since financial 2012 now also assigned to the Construction segment – fell back into a loss due to a decrease in projects for biogas plants on the market.

<<< The over 50 year-old dam on the Sylvenstein reservoir in Bavaria was in need of reinforcement. To do the job, BAUER Spezialtiefbau GmbH installed a diaphragm retaining wall down to a depth of 70 m and in 1 m thickness.

Geographical breakdown of total Group revenues – Construction segment

in EUR million (after deducting Consolidation)



SPESA Spezialbau und Sanierung GmbH increased its revenues in the past financial year, though its earnings fell back. The main factors in this were unprofitable remediation projects. In the general and specialist construction fields, performance in the financial year was in line with planning. This area of business has good prospects for the future. Subsidiary Wöhr + Bauer GmbH, which develops and builds urban real estate projects such as office blocks and parking garages, achieved healthy revenues around the previous year's level. A real estate project completed years ago was finally sold in the past financial year, making a very healthy contribution to overall segment earnings.

Europe

Markets in Europe performed very inconsistently. Eastern Europe continues to be heavily impacted by the ecnomic crisis and its after-effects. Our revenues in Romania, Bulgaria and Hungary declined due to very weak orders in hand. Nor do we expect to see any rapid improvement there in the current year. The situation in Russia was somewhat constrained, so sales on that market likewise declined. Prospects for 2013 are good, however, as in October 2012 we acquired the contract to execute the foundations for what will become Europe's tallest building – the Lakhta Tower in St. Petersburg.

Our business on Western European markets was generally healthy in the past financial year. In the UK, especially, our work on developing the London Underground very substantially boosted our revenues and earnings. And we have acquired further projects on that market which will continue to take up our capacities in future. We saw a slight decline in revenues in the Netherlands. The orders situation is healthy, however. The trend in Switzerland was positive. We are currently working on a major diaphragm walling project in Geneva which offers the prospect of full capacity utilization over the next two years. By contrast, business in Ireland, Spain and Austria remains weak.

Overall, we regard the European market as still somewhat subdued. Based on existing orders, we expect to see a slight improvement in revenues and earnings during 2013.

Middle East and Central Asia

Markets remained weak in the past financial year due to the effects of the Arab Spring. Revenues and earnings declined in Abu Dhabi, Saudi Arabia and Lebanon. In Qatar, the scheduled projects in preparation for the 2022 football World Cup have not yet begun. We expect to see a rise as a result of them over the years ahead. In Saudi Arabia, we acquired the contract to execute the foundations for the new tallest building in the world, the Kingdom Tower in Jeddah. The contract is worth around EUR 25 million, so we expect 2013 performance to be healthy as a result. Middle East markets remained unsatisfactory overall. We expect to see growth in 2013 based on the contracts acquired.

Asia-Pacific, Far East and Australia

Construction markets in the Far East performed highly positively, as in previous years. We carried out a wide range of projects in Malaysia. As a result, our sales more than doubled and we generated healthy earnings. Orders in hand indicate that 2013 will again deliver high revenues. Business in Australia also performed positively. In Hong Kong, the existing contracts from the previous year were completed. With healthy revenues, earnings did not meet our expectations, because billing issues remain outstanding on some projects. In September 2012 we acquired the contract to carry out extensive foundation works on a section of the Hong Kong-Zhuhai-Macau bridge, worth a total of some EUR 65 million. The work is scheduled to run until mid-2014.

Following a weakish first half, the order situation in the Philippines recovered by the end of the year. Revenues and earnings did not meet our expectations however. By contrast, the subsidiary in Indonesia had a very successful year. The diaphragm walling works for a dam in Bhutan were completed successfully. Further opportunities exist on that market. By contrast, the construction market in Vietnam collapsed. We made a heavy loss as a result.

All in all, we expect our businesses in the Far East to maintain their healthy trends. Markets are exhibiting varying degrees of stability, and large-scale infrastructure projects will continue to be realized. Our levels of orders in hand in conjunction with further project opportunities form a very sound foundation for business in the current year.

America

We built further on our healthy previous year's performance in America. Our US subsidiary increased its revenues. Only a small profit was made due to the start of our large-scale works to remediate the Center Hill dam. After extensive preparations, work on this project will fully get under way in 2013. Scheduled to run until 2014, the approximately USD 106.6 million project is the Group's largest single contract to date.

The business trend in Canada was likewise positive. Revenues were on a level with the previous year, while earnings were again up slightly. Work on the Metro project in Panama was completed successfully. Revenues remained stable, with a slight improvement in earnings. Our operations in South America include individual projects in Colombia, Costa Rica and the Dominican Republic. We see opportunities for our businesses on those markets in future. Based on orders in hand, we expect performance in America to be stable overall in 2013.

Africa

Our subsidiary in Egypt once again suffered a major drop in revenues during the past financial year. It nevertheless again delivered a healthy profit. We expect to see an improvement in 2013, having acquired a contract to carry out diaphragm wall and retaining wall works on a Nile dam. We did no work in Libya. After a difficult start to the year, our subsidiary in Angola further increased its sales over the previous year. Capacities in Algeria were insufficiently utilized.

We succeeded in acquiring a number of major projects in all parts of the world in 2012. And we also see further opportunities for the future. In November 2011 we signed a Letter of Understanding relating to a large-scale project to remediate the Mosul Dam in Iraq. The prospective contract will be worth EUR 1.9 billion, and will run for a period of six years. No actual contract has yet been signed, as other government priorities in the region are significantly slowing the progress of negotiations. Consequently, we have not yet included the project in our plans and forecasts.

The Construction segment achieved substantial growth in revenues and earnings overall in the past financial year. Our global presence, with numerous local subsidiaries, allows us to utilize opportunities as they arise on individual markets. That remains the case even though many markets and regions are still being impacted by the after-effects of economic crises. Orders in hand at the 2012 year-end are at record levels, so we expect to see a slight increase in revenues and stable earnings performance in 2013.


BAUER
BUFFAL

EQUIPMENT SEGMENT

Equipment segment key figures

in EUR '000	2011	2012	Change
Total Group revenues *	636,457	596,086	-6.3 %
Sales revenues *	511,430	520,576	1.8 %
Orders received *	612,705	592,959	-3.2 %
Orders in hand *	116,211	113,084	-2.7 %
EBIT *	52,981	33,720	-36.4 %
Net profit or loss *	23,316	8,712	-62.6 %
Employees (on average over the year)	2,915	2,952	1.3 %

* The Environmental Technology division of SCHACHTBAU NORDHAUSEN GmbH was transferred from the Equipment segment to the Construction segment. The previous year figures have been adjusted accordingly.

The Equipment segment saw its revenues fall significantly in the past financial year. Its **total Group revenues** decreased by 6.3 percent to EUR 596.1 million (previous year: EUR 636.5 million). By contrast, sales revenues rose slightly, by 1.8 percent from EUR 511.4 million to EUR 520.6 million. Segment **EBIT** fell 36.4 percent from EUR 53.0 million in the previous year to EUR 33.7 million. **Net profit** decreased by 62.6 percent from EUR 23.3 million to EUR 8.7 million. The substantial deterioration in earnings is mainly attributable to the relatively higher fixed costs accompanying the decline in total Group revenues, as our plants' capacities were less fully utilized. We were forced to cut back production after having increased inventories excessively in the previous year due to market trends. An additional burden was posed by fixed costs in the deep drilling sector, as it has not yet generated sufficient sales revenues to cover them.

The machinery business in 2012 was disappointing after the healthy growth seen in the previous year. A number of major markets, such as China and India, performed well below our expectations. The political unrest and its consequences in the Middle East and the difficult economic conditions in many parts of Europe additionally meant that our customers remained reluctant to invest. Delays to planned diaphragm walling projects additionally depressed sales of our trench cutters. We are also carrying over-capacity in some areas as a hangover from the boom years. All in all, however, in view of these many influencing factors we cannot be dissatisfied. We have had some pleasing successes in a number of countries and regions, and with some special projects.

Germany and Europe

The German market remained very stable in 2012. Moreover, some special projects, such as the delivery of a second electric motor driven trench cutter to an energy supplier, were very pleasing.

Trends in Western Europe in general were likewise positive for us. In the UK, infrastructure projects in London continued on schedule. We achieved our targets in Italy and Austria. Portugal and Spain were, as expected, very quiet. Markets in Eastern Europe remained weak, with the exception of Poland. Budget problems in those countries and reluctance to invest within the EU are factors hindering further major infrastructure projects. After almost a full year at relatively low levels, sales in Russia recovered markedly in the fourth quarter of 2012, as a result of which our expectations were surpassed. The market still offers very substantial demand for infrastructure works.

Middle East and Central Asia

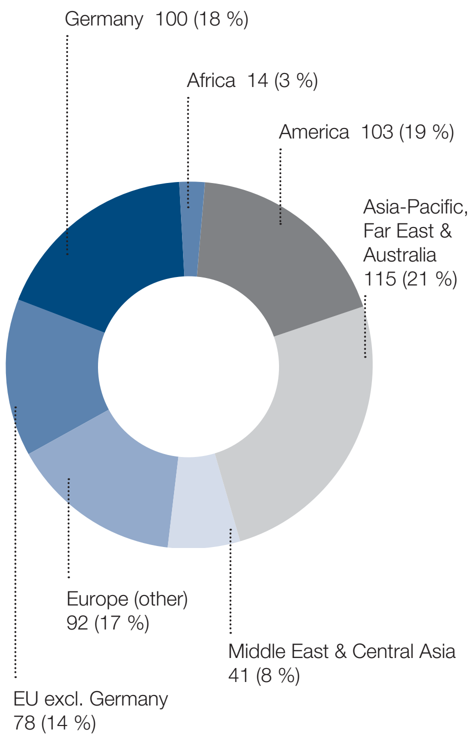
The Middle East remains overshadowed by unrest and political turmoil. Moreover, the scheduled projects in preparation for the 2022 football World Cup in Qatar were delayed. The market in the United Arab Emirates was also rather weak. Only in Saudi Arabia are we satisfied with our sales, while we also enjoyed some return to sales success in Iraq.

In India, the government's planned infrastructure construction projects were not sufficiently pushed. Numerous issues arose in the tendering and implementation of the expected

<<< Six machines from PRAKLA Bohrtechnik GmbH will in future be operating in China. The sale to a Chinese coal mining company was closed in September 2012. The RB-T 90 deep drilling rigs are being used to sink emergency rescue shafts in mines.

Geographical breakdown of total Group revenues – Equipment segment

in EUR million (after deducting Consolidation)



projects, resulting in a significant decline in the construction machinery business. Demand remains very high however. Turkey and also Azerbaijan were positive markets for us. We also had a large-scale contract from Uzbekistan, involving the participation of several segment companies.

Asia-Pacific, Far East and Australia

Performance in the Far East fell below the planned targets. In China, especially, virtually the whole year was marked by very low levels. The severe decline in the construction market due to the stoppage of numerous projects had a major impact on construction machinery sales. In September 2012 the government in Beijing announced the launch of a major new infrastructure programme, which generated an improvement in our sales in the fourth quarter. As a consequence, we expect to see a more positive business trend in 2013. Markets in Singapore, Indonesia and also Malaysia performed well, delivering correspondingly healthy earnings. Prospects remain positive.

Korea was a weak market for us in the past year, as was Japan, where the impact of the nuclear disaster continues to be severe. Sales in Australia declined due to over-capacities built up during the strong previous years on the construction market.

America

The USA was a good market for us overall. The construction market stagnated somewhat, meaning that customers remained very reluctant to invest. But we managed to keep our operations running primarily through the rental business. We were not quite able to attain our targeted earnings. The Canadian market was stable. Most of our work at present is in the east of the country. We see further opportunities for the years ahead based on the expansion of our distribution and service network.

Performance in South America was below our expectations, though we did generate healthy sales in individual countries. We continue to see good opportunities on these markets in view of the major backlog in infrastructure development in a number of countries around the region.

Africa

We surpassed our targets for Africa in 2012. We acquired profitable business in a number of countries. We aim to continue expanding our activities on these markets in future, as they offer plenty of ongoing opportunities. We will also be looking to strengthen our service portfolio further.

Parts & Service

Our Parts & Service area performed well overall, with sales up against the previous year. Its particular focus during the financial year was on parts supplies to customers in Europe and the USA. The area also made a healthy contribution to earnings. This illustrates the widespread usage of our equipment throughout the world.

Deep drilling

Sales of our new deep drilling rig products progressed sluggishly in 2012. The first TBA 300 heavy-duty rig sold to Venezuela in 2011 provided us with a first reference, the rig having put in a good performance on the customer's site. In September, our subsidiary PRAKLA Bohrtechnik GmbH sold six RB-T 90 deep drilling rigs to China, with delivery scheduled during 2013. We see particularly strong selling opportunities in future for these 100-tonne rigs, which in their basic configuration cover the bottom end of the deep drilling spectrum.

After suffering delays last year, in 2013 we will deliver the second heavy-duty rig, the TBA 300/440 M1, to an oil company in Nigeria. Its successor the TBA 440 M2, likewise designed to drill down to depths of more than 6,000 metres, will be completed in summer 2013. We will be continuing to build on those pleasing early selling successes in future. We continue to face major challenges in developing the products, and we are focusing intensive efforts on that work.

Subsidiaries

The performance of our subsidiaries in Germany varied. KLEMM Bohrtechnik GmbH fell well short of its planned targets, because of the weakness of its main selling markets in Europe. RTG Rammtechnik GmbH did not quite achieve its revenue target, but its earnings were significantly improved. EURODRILL GmbH performed in line with planning. PRAKLA Bohrtechnik GmbH had a good year, increasing its revenues and earnings. MAT Mischanlagentechnik GmbH was unable to achieve its targeted earnings, among other reasons due to tougher competitive pressure. Olbersdorfer Guß GmbH likewise failed to meet expectations. HAUSHERR System Bohrtechnik GmbH substantially improved its performance over the previous year thanks to a reorganization and to a large-volume contract. SPANTEC Spann- & Ankertechnik GmbH delivered very healthy earnings and corresponding revenues, as in the previous year. Its fully utilized capacities will be expanded over the next two years.

The subsidiaries TracMec Srl. in Italy, which supplies undercarriages to BAUER Maschinen GmbH, FAMBO Sweden AB, which manufactures hydraulic hammers, and BAUER-Pileco, Inc. in the USA achieved sales and earnings in line with the planned levels. BAUER Casings Makina in Turkey, which makes casings for the Group, had a very good year, performing ahead of plan.

Plants

In summer 2012 we responded to the weak market conditions by cutting overtime and enforcing accrued holiday at the plants at our home base in Schrobenhausen. The order for the six RB-T 90 deep drilling rigs being built in Schrobenhausen has a positive effect on the capacity utilization in the current year. Production in Conroe, USA was maintained at a low level. The construction of the new plant in Malaysia delivered clear efficiency improvements in its first full year of operations. It also houses the equipment servicing operation for our customers in the region. The plants in Russia developed according to plan. Capacities at the plants in China were much less utilized owing to the weakness of the local market during the financial year. The new plant in Tianjin is scheduled to be completed by mid-2013. The relocation to a new site had become necessary as the existing lease agreement had expired. A new service centre for our customers in Singapore was constructed for the same reason. Production in Botswana, where blast-hole drilling rigs, well drilling rigs and deep drilling rigs are being manufactured in a joint venture for southern Africa, has started well.

Despite the fall in revenues, capacities have not been adjusted, as the measure would have primarily impacted on the R&D and Sales functions. And in the face of intensified competitive pressure, we could not afford to cut back on them. Thanks to the use of temporary workers and our system of working hours credits, our workforce capacities are flexible enough to have avoided the need for any adjustment. Moreover, we need those capacities to handle the planned growth in our new products, such as the deep drilling rig range.

Under the circumstances, performance was generally acceptable, as collapses in some countries were partially balanced by successes in others. We generated healthy sales especially of larger machine and in the parts business. Nevertheless, the Equipment segment saw a decline owing to weakness on some markets. Good progress was made with the newly launched products, and that is in some cases already being reflected in order acquisitions. We expect an improvement in revenues and earnings in the current financial year.

RESOURCES SEGMENT

Resources segment key figures

in EUR '000	2011	2012	Change
Total Group revenues	211,497	263,916	24.8 %
Sales revenues	201,549	244,273	21.2 %
Orders received	259,207	254,300	-1.9 %
Orders in hand	168,443	158,827	-5.7 %
EBIT	10,897	15,169	39.2 %
Net profit or loss	3,707	5,645	52.3 %
Employees (on average over the year)	1,367	1,578	15.4 %

The **total Group revenues** in the Resources segment increased by 24.8 percent from EUR 211.5 million to EUR 263.9 million. Segment **EBIT** rose by 39.2 percent from EUR 10.9 million to EUR 15.2 million. **Net profit** increased by 52.3 percent from EUR 3.7 million to EUR 5.6 million. The biggest contributions were made by very large-scale projects in Jordan and Oman as well as by the Mining division of SCHACHTBAU NORDHAUSEN GmbH. Huge problems on well projects in Jordan led to considerable losses. By contrast, operations in Oman and in mining generated very good earnings. The many other activities of the segment saw pleasing development overall.

The segment supplies products and services relating to materials, exploration and mining services and the environment.

Materials

The Materials area manufactures and sells products for the exploration, extraction and distribution of water, gas and geothermal energy worldwide. It generated some 24 percent of the Resources segment's total Group revenues.

The GWE Group saw its sales and earnings fall back in the second half of the year after a good first half. The European market was somewhat weak as a result of the general economic climate. Fewer well construction projects were carried out in Africa in the 2012 financial year than in previous years. In Germany, too, planned contracts in the public sector and industrial construction fields were postponed. In Spain, a positive result was achieved in spite of the difficult market conditions thanks to the niche product strategy. The subsidiary in Poland was expanded further in 2012, including by the launch of new products. Sales and earnings were slightly up on the previous year. Production in Hungary was also progressed, resulting in improved sales and earnings.

The subsidiary in Pakistan was progressed further at a low level in a difficult market. The establishment of a production facility in Togo could not be completed by the end of 2012. By contrast, the operation in Chile was able to successfully carry out its first contracts, and offers us good future prospects on the South American market.

We expect good opportunities to arise from ongoing sales activities in France, Morocco and Colombia. We are also looking to grow online sales in future, especially to business clients.

A lack of major projects meant that Materials had a weak year overall. Its revenues and earnings were down against plan and against the previous year's performance. We expect to see an improvement in the current year.

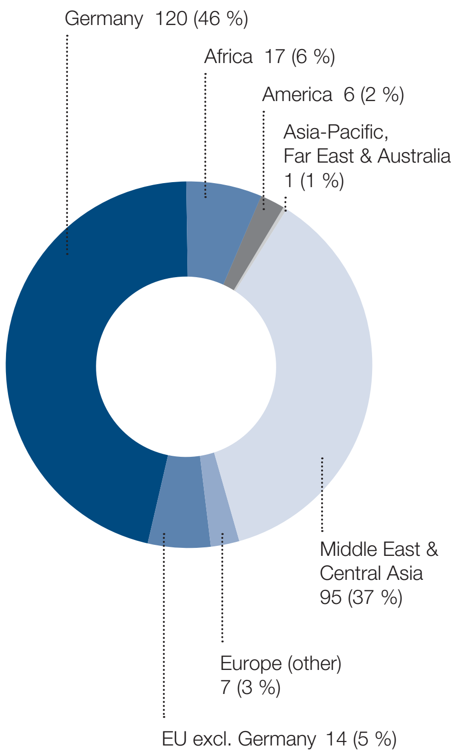
Exploration and Mining Services

The Exploration and Mining Services area has its origins in the operation of large-scale Bauer machinery in the mining industry. Today its expertise lies in the exploration of deposits, production drilling for water, oil, gas and geothermal energy, and in a wide variety of open-cast and underground mining services. The area contributed around 38 percent of the segment's total Group revenues.

<<< *The innovative reed-bed treatment plant constructed by subsidiary BAUER Nimr LLC in the middle of the Omani desert is unique in terms of both technology and scale: It uses reeds to treat almost 100,000 m³ of produced water from the oil industry every day.*

Geographical breakdown of total Group revenues – Resources segment

in EUR million (after deducting Consolidation)



The financial year was mainly characterized by developments in the large projects of the Site Group for Services and Well Drilling Ltd. Co. in Jordan. Revenues were well above plan thanks to a number of extensive contracts such as the Disi-Amman project, involving the sinking of wells to supply water to the city of Amman. We addressed the wide-ranging problems encountered on this project by performing a reorganization in the second half of the year. The project is scheduled for completion around mid-year 2013. The well building projects resulted in a heavy loss.

Additional contracts were acquired in Saudi Arabia in 2012. The company also has good prospects in other countries around the region.

Swiss company FORALITH Holding AG, a specialist in deep, extended-reach exploration drilling, significantly increased its sales and earnings to end the year ahead of plan. Projects were carried out successfully in Serbia and the Alto Adige (South Tyrol) region of northern Italy. A follow-up contract was acquired in Serbia. In the course of the year the former BAUER Drilling Services GmbH was renamed BAUER Foralith GmbH. This was part of a strategy aimed at improved marketing of services in other European countries outside of Switzerland.

The subsidiary in South Africa achieved sales ahead of plan and up against the previous year in financial 2012. Earnings fell somewhat short of expectations primarily due to exchange rate effects. Water and shale gas markets in a number of African countries offer further good prospects. In Ghana, too, revenues were up on the previous year.

Revenues and earnings in Canada increased by comparison to the previous year. Business in Australia was around the previous year's level – a less than satisfactory outcome in view of the initially higher expectations. The product range is being revised to address this trend.

Exploration and Mining Services had a positive year overall in 2012, and the area has good prospects for the years ahead. Earnings will pick up again in future as the negative effects of the projects in Jordan subside.

The segment also incorporates the mining operations of SCHACHTBAU NORDHAUSEN GmbH. Its revenues and earnings progressed very successfully in the year under review, thanks to a large number of interesting remediation projects on existing underground workings in Germany. A particular highlight is the ongoing work on the Schacht Konrad mine shaft being used for the disposal of radioactive materials. We will also be carrying out our first major international contract, with a project in Kazakhstan. Prospects in the sector remain very bright.

Environment

The Environment area offers complete solutions relating to the remediation of polluted sites, the preparation and treatment of drinking water and process and waste water, as well as waste gases. It also manufactures plant for water treatment, drinking water preparation, clean-room media handling and brewing. Environment accounted for approximately 38 percent of the segment's total Group revenues.

Environment's sales and earnings were well ahead of plan overall. Demand for environmental technology and water treatment remained stable, bucking the trend of sustained economic downturn in some European countries.

BAUER Umwelt GmbH closed a good year with revenues around the previous year's level and improved earnings. Pollution clearance services were expanded. The orders situation at the year-end was positive, with further major opportunities arising. The reorganized BAUER Water GmbH, now specializing in the industrial treatment of process and waste water, had a difficult year. Its revenues fell short of planned targets, and it made a loss for the year. An improvement was finally seen towards the end of the year with a healthy order intake, including from the automotive industry. Prospects and project opportunities for the current year are positive.

The sales of Esau & Hueber GmbH in the year under review progressed according to plan, clearly outstripping the previous year's performance. It had a very positive year in its brewing and beverages technology operations. Some contracts were delayed, however, so earnings fell short of the planned target. Current orders in hand will take up capacities to a high level, and promise bright prospects for 2013. Trends in the Life Science division, providing clean-room media systems for the pharmaceuticals and high-tech industries, were stable. Sales activities in the sector are being expanded further.

Trends at international subsidiaries within Environment were very variable. In Italy, revenues and earnings fell short of expectations due to a lack of projects and because of the country's ongoing economic problems. Long-term projects in Spain provided a sound basis for utilization of capacities, resulting in improved revenues compared to the previous year. There are also good prospects for further orders on the local market. The sales of the UK subsidiary were well down against plan. The local market provided only scattered projects. Despite difficult market conditions in Hungary, a number of contracts enabled us to sustain performance. Revenues for the year were up against the previous year and ahead of plan. Our company in Abu Dhabi, which covers the markets around the region, had a good first quarter of 2012. Orders fell back towards the end of the year, however, which meant that the planned revenue and earnings targets were not quite attained. We see further good prospects on these markets for 2013 based on an expansion of our sales activities.

BAUER Nimr LLC in Oman builds and operates a large-scale reed-bed treatment plant to treat produced water from the oil industry. The plant is unique worldwide in its scale and engineering, and since its launch has developed into a great success. Just a few months after the plant's commissioning in 2011, Petroleum Development Oman (PDO) commissioned an upgrade to a treatment rate of 95,000 m^3 of water per day – around twice the original output. The upgrade was completed ahead of schedule in late 2012. Based on this work, the company achieved revenues ahead of plan and made a very healthy contribution to the earnings of the Resources segment. The project has won a number of national and international awards since launch.

Environment's full-year revenues and earnings were ahead of plan and up on the previous year primarily thanks to the project in Oman. We expect a positive development also for the current year.

In the year under review the Resources segment overall achieved revenues ahead of plan and up against the previous year. Earnings fell short of expectations, relying essentially on a very substantial contribution by the Oman project and a negative effect of the large projects in Jordan. The healthy levels of orders in hand lead us to predict a stable trend in revenues, though growth will be only slight due to the ending of a number of major projects. Earnings should improve.

OTHER / CONSOLIDATION SEGMENTS

The Other and Consolidation segments bundle the revenues and earnings of the Group which cannot be allocated to the operating segments. The Other segment essentially comprises the revenues of the parent company BAUER AG itself, generated from a wide variety of administrative services provided to Group subsidiaries.

The **Other segment** revealed EBIT of EUR 12.1 million. This included EUR 10.3 million of dividend payments by Group subsidiaries to the parent company and EUR 3.1 million essentially comprising the net profit of BAUER AG stripping out the aforementioned payments. The segment's revenues are generated essentially by intra-Group transactions.

The **Consolidation segment** reflects the consolidation within the Group. The EBIT of EUR 11.3 million almost matches the EUR 10.3 million of dividend payments by Group subsidiaries to parent company BAUER AG.

A number of new buildings are in progress on the Schlosslände site in Ingolstadt: the Audi Academy and a conference centre with a hotel and underground parking garages. BAUER Spezialtiefbau GmbH executed the foundations.

Breakdown of total Group revenues across the member companies of the BAUER Group

Shareholdings < 50 % listed pro rata

in EUR million	2011	2012
BAUER Spezialtiefbau GmbH Group		
BAUER Spezialtiefbau GmbH, Schrobenhausen, Germany (BST)	186.6	187.7
Wöhr + Bauer GmbH, Munich, Germany (33 % share) – (subsidiary consolidated financial statements)	13.3	16.5
BAUER Foundation Corporation, Odessa United States of America	41.2	47.5
BAUER Fundaciones Panamá S.A., Panama City, Panama	12.2	13.8
BAUER Foundations Canada Inc., Calgary, Canada	23.4	22.3
BAUER Funderingstechniek B.V., Mijdrecht, Netherlands	6.8	4.4
BAUER Renewables Ltd., Warrington, Great Britain	7.0	1.5
BAUER Technologies Limited, Beverley, Great Britain	12.7	27.1
BAUER Spezialtiefbau Schweiz AG, Baden, Switzerland	15.7	14.9
TERRABAUER, S.L., Madrid, Spain (30 % share)	4.2	1.9
BRK-Speciális Mélyépitö Kft., Budapest, Hungary	5.3	3.5
BAUER ROMANIA S.R.L., Bucharest, Romania	2.4	2.2
BAUER BULGARIA EOOD, Sofia, Bulgaria	3.5	3.0
BAUER Spezialtiefbau Ges.m.b.H., Vienna, Austria	14.2	14.3
BAUER EGYPT S.A.E. Specialised Foundation Contractors, Cairo, Egypt	20.1	13.2
BAUER LEBANON FOUNDATION SPECIALISTS S.a.r.L., Beirut, Lebanon	12.9	10.8
BAUER Georgia Foundation Specialists LLC., Batumi, Georgia	4.1	5.1
BAUER International FZE, Dubai, United Arab Emirates	36.2	27.9
BAUER International Qatar LLC, Doha, Qatar	16.2	18.3
Saudi BAUER Foundation Contractors Ltd., Jeddah, Saudi Arabia	3.4	3.4
BAUER (MALAYSIA) SDN. BHD., Petaling Jaya, Malaysia – (subsidiary consolidated financial statements)	36.7	94.7
BAUER Foundations Australia Pty Ltd., Brisbane, Australia	7.3	21.8
BAUER Hong Kong Limited, Hong Kong, People's Republic of China	42.1	56.0
BAUER Vietnam Ltd., Ho Chi Minh City, Vietnam	21.9	1.5
BAUER Foundations Philippines, Inc., Quezon City, Philippines	9.9	11.7
P.T. BAUER Pratama Indonesia, Jakarta, Indonesia	8.8	18.8
Thai BAUER Co. Ltd., Bangkok, Thailand	7.4	9.8
Other participations of BST	26.4	38.7
Joint ventures, Germany – (BST share only)	1.1	3.6
Intra-Group sales	-76.9	-97.1
BST Group total **	**526.1**	**598.8**
SCHACHTBAU NORDHAUSEN GmbH Group		
SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Germany (SBN)	110.2	92.2
SBN participations	32.3	28.4
Joint ventures SCHACHTBAU NORDHAUSEN GmbH – (BST share only)		3.1
Intra-Group sales	-48.9	-47.2
SBN Group total	**93.6**	**76.5**
SPESA Spezialbau und Sanierung GmbH, Schrobenhausen, Germany (incl. SPESA Korrosionsschutz und Beschichtungen GmbH, Nordhausen and ARGEN SPESA – (only SPESA portion), minus internal Group revenue)	14.7	18.2

* In the segment reporting set out in the Notes to the financial statements, BAUER Umwelt GmbH is assigned by virtue of the nature of its business operations to the Resources segment; the shares had not been legally transferred by the closing date.

** In contrast to the breakdown of total Group revenues by subsegment, in the breakdown of total Group revenues between the companies the total of the individual groups is stated after consolidation.


BAUER

Breakdown of total Group revenues across the member companies of the BAUER Group (continued)

Shareholdings < 50 % listed pro rata

in EUR million	2011	2012
BAUER Maschinen GmbH Group		
BAUER Maschinen GmbH, Schrobenhausen, Germany (BMA)	410.0	356.3
EURODRILL GmbH, Drolshagen, Germany	8.4	9.4
KLEMM Bohrtechnik GmbH, Drolshagen, Germany	39.6	36.4
MAT Mischanlagentechnik GmbH, Immenstadt, Germany	14.5	13.8
Olbersdorfer Guß GmbH, Olbersdorf, Germany	9.5	7.8
PRAKLA Bohrtechnik GmbH, Peine, Germany	17.2	19.1
RTG Rammtechnik GmbH, Schrobenhausen, Germany	30.0	25.6
SPANTEC Spann- & Ankertechnik GmbH, Schrobenhausen, Germany	18.6	17.8
TracMec Srl., Mordano, Italy	9.3	8.7
BAUER Macchine Italia s.r.l., Mordano, Italy	4.4	7.1
BAUER EQUIPMENT UK LIMITED, Rotherham, Great Britain	5.6	5.6
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	4.2	5.7
BAUER Technologies Far East Pte. Ltd., Singapore, Singapore (incl. subsidiary consolidated financial statements)	143.9	103.2
NIPPON BAUER Y.K., Tokyo, Japan	4.4	5.3
BAUER Manufacturing Inc., Conroe, United States of America	16.8	19.2
BAUER-Pileco Inc., Houston, United States of America	69.6	86.9
OOO BAUER Maschinen – Kurgan, Kurgan, Russian Federation	6.0	6.2
OOO BAUER Maschinen Russia, Moscow, Russian Federation	7.8	12.6
Other participations of BMA	18.3	27.8
Intra-Group sales	-213.0	-191.7
BMA Group total **	**625.1**	**582.8**
BAUER Resources GmbH Group		
BAUER Resources GmbH, Schrobenhausen, Germany (BRE)	6.5	8.7
GWE pumpenboese GmbH, Peine, Germany (incl. SBF-Hagusta GmbH – merged)	75.2	65.2
GWE Prakla Services GmbH, Peine-Stederdorf, Germany	0.3	2.9
GWE POL-BUD Sp.z.o.o., Lodz, Poland	2.2	2.6
BAUER Foralith GmbH, Schrobenhausen, Germany	2.7	5.1
FORALITH Holding AG, St. Gallen, Switzerland (incl. subsidiary consolidated financial statements)	2.9	6.6
BAUER Resources GmbH / Jordan Ltd. CO, Amman, Jordan (incl. subsidiary consolidated financial statements)	40.8	53.8
BAUER Technologies South Africa (PTY) Ltd., Cape Town, South Africa (incl. subsidiary consolidated financial statements)	4.8	7.6
BAUER RESOURCES GHANA LIMITED, Accra, Ghana	2.2	2.7
BAUER Resources Canada Ltd., Edmonton, Canada (incl. subsidiary consolidated financial statements)	0.9	2.7
BAUER Umwelt GmbH, Schrobenhausen, Germany *	36.1	38.2
BAUER Water GmbH, Dunningen, Germany	7.1	7.9
Esau & Hueber GmbH, Schrobenhausen, Germany	7.2	13.0
BAUER Ambiente S.r.l., Milan, Italy	7.4	3.4
BAUER Nimr LLC, Maskat-Al-Mina, Sultanate of Oman	21.1	37.0
BAUER Emirates Environment Technologies & Services LLC, Abu Dhabi, United Arab Emirates	5.5	4.3
Other participations of BRE	8.5	13.0
Intra-Group sales	-36.4	-34.1
BRE Group total **	**195.0**	**240.6**
BAUER Aktiengesellschaft, Schrobenhausen, Germany (BAG)	36.2	40.5
Other participations	2.1	2.2
Intra-Group sales	-121.0	-114.0
Group Total	**1,371.8**	**1,445.6**

<<< The artificial Ocean Reef Islands have been created in the Bay of Panama. BAUER Fundaciones Panamá S.A. carried out the vibrocompaction work, executing some 12,800 compaction points with an average depth of 15 m.


BAUER
BAUER BG 28
BAUER
VOLVO

IV. TREND IN ORDERS

Orders in hand / orders received by segment

in EUR '000	2011		2012		Orders in hand, referred to 2012 total Group revenues, in months
	In hand	Received	In hand	Received	
Construction	465,314	717,672	513,087	704,607	9.4
Equipment	116,211	612,705	113,084	592,959	2.3
Resources	168,443	259,207	158,827	254,300	7.2
Intra-Group revenues and IFRS adjustments	0	-82,721	0	-71,245	---
Total	**749,968**	**1,506,863**	**784,998**	**1,480,621**	**6.5**

At the 2012 year-end, the Group held **orders in hand** totalling EUR 785.0 million, 4.7 percent up on the previous year's figure of EUR 750.0 million.

The many shifts on the various markets in the course of the year had widely differing effects on levels of orders in hand, but all in all the trend was positive. The Construction and Resources segments achieved very satisfactory levels, whereas orders in the Equipment segment continued to develop very sluggishly, even resulting in slightly lower levels of orders in hand in those segments at the year-end than in the previous year. Capital goods customers all over the world are still very reluctant to invest because of the identified economic risks. A pleasing factor is that the Construction and Resources segment have large numbers of interesting projects worldwide.

In the **Construction segment**, orders in hand in Germany increased substantially. This resulted from the recovery in the German construction sector as well as from the reorganization of our businesses. We are confident that the positive trend will be sustained through 2013.

Internationally, orders in hand in the specialist foundation engineering business increased by a very healthy 9.8 percent to EUR 428.1 million. We succeeded in acquiring a number of major projects in all parts of the world which will primarily be generating revenues in 2013. They included the contracts to execute the foundations for what will be the tallest building in the world in Jeddah, Saudi Arabia, and for Europe's new tallest building in St. Petersburg, Russia. In Hong Kong, we will be executing part of the foundation works for the Hong Kong-Zhuhai-Macau bridge, while in the USA we are remediating the Center Hill Dam. We have major construction engineering projects on our books in many other countries too, including in Malaysia, Indonesia, Australia, Canada, the UK, Switzerland, Egypt, the United Arab Emirates and Angola. A pleasing aspect in this is the fact that the orders in hand are spread very evenly across our Group companies.

The construction and environmental operations of SCHACHTBAU NORDHAUSEN GmbH have orders in hand totalling EUR 21.8 million, slightly down against the previous year's level. Extensive reorganization was carried out in this area in the past year which proved highly effective, so we expect to see a positive ongoing trend. The orders in hand of SPESA Spezialbau und Sanierung GmbH totalling EUR 5.8 million are 15.9 percent up on the previous year, so its expectations, too, are positive for the new year.

In the **Equipment segment**, the orders in hand of EUR 113.1 million are 2.7 percent down on the previous year. A large number of deliveries in December 2012 resulted in very low year-end levels of orders in hand, especially at BAUER Maschinen GmbH. Although the decrease does not indicate a negative trend, it does show that order intake in the machinery business remains very sluggish. Lead times have become extremely short, meaning that most orders have to be shipped the same month they are received. This situation also makes it extremely difficult to schedule component procurement for machinery production, so inventories are inevitably higher. Production planners cannot estimate the need specific to each month and machine model with any accuracy. As a result, we are back in the situation which always prevailed prior to the boom period.

<<< *Bauer carried out foundation works for an IKEA furniture store in the eastern suburbs of Zagreb. The project included five test piles, nine core bores down to 40 m, as well as geological surveys.*

We have for some time been working to expand our product range for sectors with demand for highly specialized equipment. As examples, we have developed a series of deep drilling rigs as well as an entirely new underwater drilling technology for energy production facilities. Our cranes for specialist foundation engineering applications have also enlarged our product range. We are convinced that these machines will enable us to compensate for the expected greater competitive pressures on markets for standard products and so increase our sales again. We therefore predict that we will achieve slight growth again in 2013.

In the **Resources segment**, orders in hand decreased slightly, by 5.7 percent, to EUR 158.8 million. The orders in hand of the SCHACHTBAU NORDHAUSEN GmbH mining division actually increased by a substantial 61.4 percent, primarily thanks to a large contract in Kazakhstan. In Germany, too, Schachtbau has healthy levels of orders in hand, based on contracts including work on a mine shaft for the storage of low-level radioactive waste as well as on existing underground workings.

The orders in hand of the BAUER Resources Group itself, which represents the strategic core of our Resources operations, decreased by 20 percent to EUR 110.9 million. The fall is attributable to work on the large-scale projects in Jordan and Oman. In view of the many interesting major contracts on the market, we expect orders in hand in this segment to sustain their positive trend. In the field of materials for geothermal energy extraction and well building orders in hand are low, because the business is characterized by very short lead times.

With regard to the Group as a whole, orders in hand are in line with our forecast for growth in the current year.

In Shenzhen, China, equipment customer Suifong Foundation deployed a BG 25 and a BG 30 to sink the foundation piles for the new police headquarters down to depths of 27 m. The drilling was executed in ultra-hard granite of 150 MPa.

V. EARNINGS, FINANCIAL AND NET ASSET POSITION

EARNINGS

The earnings position of the Group deteriorated in 2012 relative to the previous year, specifically due to the decline in revenues in the Equipment segment. The Equipment segment's margins are fundamentally better than the services business of the Construction and Resources segments. What this means is that if the Construction and Resources segments grow while the Equipment segment declines, earnings fall back. **Net profit** decreased by 25.7 percent from EUR 34.1 million to EUR 25.3 million.

EBIT decreased by 13.2 percent from EUR 82.3 million to EUR 71.4 million. The substantial rise in depreciation and amortization led to a much lesser decrease in **EBITDA** of 0.8 percent, from EUR 164.5 million to EUR 163.2 million, maintaining it at a healthy 11.8 percent (previous year: 12.4 percent) of consolidated revenues.

The **pre-tax return on equity** as the ratio of pre-tax profit to shareholders' equity (equity at the start of the period) decreased against the previous year from 10.7 percent to 8.1 percent. The return on equity after tax was 5.4 percent (previous year: 7.7 percent). The **return on revenues after tax** (relative to the consolidated income statement revenues) declined from 2.6 percent to 1.8 percent year-on-year. We expect to be able to increase our returns again positively in the coming years.

There have been substantial changes to some income statement items in the year under review. These resulted from the shift in revenue generation from the Equipment segment to the Construction and Resources segments. Construction services are much more labour-intensive than machinery manufacture. Accompanied by a relative reduction in cost of materials, this leads to an increase in personnel expenses and in depreciation and amortization.

Consolidated revenues rose by 4.4 percent against the previous year (EUR 1,327.1 million) to EUR 1,385.9 million.

The individual income statement items are briefly summarized in the following.

The development in **sales revenues** is pleasing. They rose 10.2 percent against the previous year (EUR 1,219.6 million) to EUR 1,344.4 million – a much stronger rate of rise than in the consolidated revenues.

The **changes in inventories** item comprises a substantial EUR 22.4 million reduction. The **other capitalized goods and services for own account** item mainly reflects the equipment acquired by our construction companies from the production of the BAUER Maschinen Group. The figure decreased as planned by EUR 7.1 million against the previous year to EUR 24.2 million.

Other income decreased against the previous year from EUR 45.0 million to EUR 39.5 million. Of that total, EUR 9.4 million (previous year: EUR 10.5 million) relates to realized and unrealized foreign currency gains, resulting from our currency hedge management. Fluctuations in hedged currencies can cause the corresponding income statement items to vary widely over the years depending on trends. The unbalanced statement of exchange rate shifts reflects the practice that exchange rate hedging cannot always be set exactly against the underlying transactions, even though in operational reality they are aligned as closely as possible to each other. The Group's objective is to undertake ex-

Development of total Group revenues by quarter

in EUR million	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Full year 2012
BAUER Group	339.979	361.556	361.672	382.384	1,445.591
Construction	156.870	163.402	163.721	172.841	656.834
Equipment	140.659	150.562	152.967	151.898	596.086
Resources	58.099	65.493	67.735	72.589	263.916
Other/Consolidation	-15.649	-17.901	-22.751	-14.944	-71.245

change rate hedging which rules out the possibility of foreign currency gains or losses as far as possible. The countering item in an amount of EUR 11.4 million (realized and unrealized foreign currency losses) is entered under "Other operating expenses".

Other key items under "Other income" are gains from foreign exchange forward contracts (EUR 1.0 million), income from insurance refunds (EUR 2.8 million), book profits on asset disposal (EUR 3.7 million), income from the reversal of provisions (EUR 3.0 million), income from the reversal of impairment losses not relating to the Construction segment (EUR 3.3 million) and income from the reversal of liability provisions (EUR 3.3 million).

Cost of materials increased by 2.1 percent in the year under review to EUR 686.8 million – a much lesser rate of rise than in consolidated revenues (+4.4 percent). This results from the lower revenues in the more material-intensive Equipment segment and the rise in the Construction and Resources segments.

Personnel expenses increased by 9.0 percent to EUR 325.6 million – much more than the rate of rise of the consolidated revenues. This was mainly because construction is considerably more personnel cost-intensive than machinery manufacture. Higher personnel costs in the Equipment segment than in previous years also reflect the higher fixed cost burden of a decline in business during the crisis. As we expect to be able to increase our equipment sales again in the coming years, we did not cut back our sales and development staff. The development function was even expanded slightly, in order to meet the increased challenges of the future. The impact of operational problems on some construction projects additionally led to increases in personnel expenses.

The 15.3 percent rise in **depreciation of fixed assets** to EUR 76.4 million reflects the fact that capital investments were again higher than the amount of depreciation. As well as investments in real estate, this relates primarily to the provision of ever larger and more specialized equipment to our own construction companies in order to carry out the Group's large-scale projects worldwide. The substantial increase in revenues in the Construction and Resources segments was the biggest factor in this.

Write-downs of inventories due to use reflect the use of rental equipment made available to our customers. This equipment does not form part of the fixed assets, but is recognized under inventories. The reason for this approach is that most of the equipment in question remains within the company only for a relatively short time. The aim of the rental operation is to subsequently sell the equipment under a rental-purchase agreement. As the equipment has to be financed correspondingly on the Equity and Liabilities side of the balance sheet, its depreciation forms part of the company's EBITDA. As a consequence of the financial crisis, our customers are increasingly entering into these rental transactions. This is resulting in higher levels of financing for our business, and increasing the rate of depreciation of the equipment concerned. Write-downs of inventories due to use decreased slightly in the year under review from the already high previous year's figure, being reduced by 3.3 percent to EUR 15.4 million.

Development of EBIT by quarter

in EUR million	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Full year 2012
BAUER Group	6.171	12.838	26.213	26.177	71.399
Construction	2.167	4.204	9.687	5.726	21.784
Equipment	4.867	6.697	8.582	13.574	33.720
Resources	-0.637	1.611	7.713	6.482	15.169
Other/Consolidation	-0.226	0.326	0.231	0.395	0.726

Other operating expenses rose 10.1 percent to EUR 210.2 million – a much greater rate of rise than in the consolidated revenues. This likewise reflects the shifts in the make-up of total Group revenues. The many individual components of this item develop in very different ways depending on the course of business and the mix of the order portfolio. This item includes the aforementioned realized and unrealized foreign currency losses.

Financial income fell by 9.8 percent from EUR 6.6 million to EUR 6.0 million. **Financial expenses** increased by 9.7 percent from EUR 40.7 million to EUR 44.7 million – greater than the rate of rise in total Group revenues. The main reason for the rise is the higher level of borrowing due to the in-year increase in our business's working capital relative to earlier years.

The **share of the profit or loss of associated companies accounted for using the equity method** totalling EUR 5.5 million was EUR 6.2 million above the previous year. The main factor in this was the contribution to earnings from the sale of a real estate development project in Germany.

Income tax expense at 33.8 percent of pre-tax profit increased from the previous year's 28.2 percent. The rise is linked to our international construction operations, in which not all countries allow tax breaks on loss-making projects. We expect the tax ratio to be around 30 percent in future.

Profit attributable to minority interests decreased from EUR 2.2 million in the previous year to EUR 1.0 million in the year under review. In this, the loss in Jordan was largely balanced out by the profits from Oman and Egypt.

As the fall in earnings in 2012 was greater in Group companies with minority shareholders, the **profit attributable to shareholders of BAUER AG** decreased by slightly less (-23.9 percent) than the net profit before deducting minority interests (-25.7 percent).

FINANCIAL AND NET ASSET POSITION

With consolidated revenues up 4.4 percent on the previous year, the Group's **net assets** rose 2.3 percent from EUR 1,487.5 million to EUR 1,521.5 million. The **equity ratio** of 31.8 percent was slightly up on the previous year (31.6 percent). In view of the major turbulence caused to the business in the years 2009 to 2011, we are satisfied with this figure, which is just below our long-term target. Our general aim is to keep the equity ratio above 30 percent. All investment plans and the growth of the business are aligned to this target. This strong equity position also means that the Group enjoys a generally healthy financial and net asset position. The **net debt** of our business decreased by 5.3 percent in the year under review after having increased by 24.0 percent last year. We made major efforts to improve this figure over the past year. We must stress, however, that in view of the nature of our business and the current economic climate, that is only possible to a certain extent. We are therefore pleased with the reduction as per the 2012 year-end. The reasons for the considerable rise over recent years following the financial crisis are detailed below:

The level of **net debt** within the Group depends essentially on the working capital, as the intangible assets, the property, plant and equipment and the investment property are very largely covered by the shareholders' equity. The working capital of our businesses is inevitably relatively high due to

Exchange rate development in 2012

1 EUR equals

	Average rate in 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Average rate in 2012
USD	1.3996	1.3314	1.2690	1.2867	1.3183	1.2918
GBP	0.8697	0.8331	0.8090	0.7968	0.8154	0.8113
RUB	41.0066	39.1844	41.1020	40.0934	40.1982	40.0461
CNY	9.0285	8.3874	8.0663	8.0884	8.2117	8.1397

the nature of our business model and the special market in which we operate. Our construction projects run for only comparatively short periods of time. As opposed to building construction contractors, who work on longer-running projects, we rarely receive payments on account or generate positive cash flow over the term of the project by billing high prices at the start and low prices at the end. Short-running construction contracts – such as we mostly carry out – require financing across the Group's many construction sites corresponding to roughly three months' sales of the Construction segment. So we are always billing after carrying out the works. Moreover, we also have to finance retentions of payment as safety.

The situation in the Equipment segment is similar. Production lead times for our specialist machinery are around 12 months. Since customers usually only order equipment once they have an actual contract to fulfil, and so expect short delivery lead times from us, we are forced to hold stocks of finished machinery. And since we also offer a very wide product range – as is likewise demanded by the market – our financing needs are increased correspondingly. The working capital also covers the machines we rent out to customers, or which are only bought by customers after a certain rental period based on a rental-purchase agreement. With worldwide inventories now extending to several thousand Bauer machines, many of our locations have to hold considerable stocks of spare parts in order to provide customers with the necessary service backup.

Nevertheless, we judge that the working capital of the BAUER Group is currently some EUR 40 million too high relative to our business volumes. Our levels of inventories, finished goods and receivables have increased beyond the normal bounds. This is not good, but on the other hand not problematic, because we are aware of the reasons why it is so: they reflect market trends as well as a number of special effects. We are making efforts to bring the ratio back down to a normal level for our business. Since we know from long experience that such variations do inevitably occur in our business from time to time, we manage our liquidity accordingly.

There were again specific factors which placed pressure our working capital in 2012:

- The well drilling projects in Jordan needed extraordinarily high levels of up-front financing in order to deal with the wide-ranging problems encountered. The same is true of the contract to construct a railway line in Hong Kong, for which the final bill has still not yet been definitively agreed with the customer.

- The mobilization of the Center Hill Dam project in Tennessee, USA entailed considerable up-front financing.

- The machinery market in China was very sluggish over the past year, leading to relatively high stocks of finished machines being held.

- The still sluggish course of business in the Equipment segment has resulted in additional inventories which are unavoidable due to the considerable time lag between scheduling of component procurement for production of the machinery and receipt of orders from customers. This is also the reason why some machine models are being built which do not have a customer waiting for them immediately on completion and so increase inventory levels for a time. This effect – which is a consequence of the financial crisis – is likewise no cause for concern, as our machinery is not subject to changing fashions and so can be sold to customers in the normal course of business even after some time.

The total amount relating to these issues is approximately EUR 60 million. Assuming that a working capital of around EUR 20 million would be normal even in standard business years, the increase resulting from the problems cited is around EUR 40 million. The further increase in working capital is attributable to the business trend and to structural changes on the market. We judge that the working capital is around EUR 40 million too high. We believe that we will be able to reduce it further in 2013, though in view of the planned rise in revenues – which will entail an increase – it is not likely to change substantially overall.

We are aware that the Group's higher financing requirements place greater weight on the question of our in-house financing capabilities. Our equity ratio of 31.8 percent provides us with plenty of equity cover for this. This would be much higher still if the hidden reserves were included. Our financial reporting policy has always been to try to avoid impairment risk arising from goodwill on the balance sheet as far as possible. Consequently, our balance sheet assets include virtually no goodwill. Since changing over to IFRS we have used the historical cost model to value land and buildings. With a carrying amount for the land and buildings of over EUR 200 million, there is a considerable reserve here.

The net debt to EBITDA and EBITDA to net interest coverage ratios have worsened since the financial crisis for the reasons detailed. The net debt to EBITDA ratio of 3.74 is better than last year's. The two other agreed covenant ratios – EBITDA to net interest coverage above 2.8 and equity ratio above 25 percent – are well within the agreed thresholds. The Group has entered into covenants in respect of a number of long-term loans, which were valued as per the year-end at EUR 240.7 million. The EBITDA to net debt ratio threshold for loans totalling EUR 147.7 million is 5.0; for loans totalling EUR 93.0 million the threshold ratio is 4.0. The ratios cited are still at an adequately good level.

Development of covenants

	2011	2012
Net debt / EBITDA	3.92	3.74
EBITDA / net interest coverage	4.76	4.17
Equity ratio in %	31.6	31.8

With regard to the individual items on the balance sheet, the following key changes should be noted:

On the Assets side:

- **Intangible assets** increased by EUR 4.3 million, specifically due to the capitalized development costs (+ EUR 2.4 million).

- **Land, land rights and buildings** decreased by EUR 2.9 million. **Payments on account and assets in course of construction** increased by EUR 17.4 million. Of that total, EUR 7.4 million relates to buildings and EUR 10.0 million to machinery and plant not yet in use on a large construction site in the USA. Adding in the payments on account and assets in course of construction, land and buildings thus increased by EUR 4.5 million. The main changes in the year under review were the sale of our factory building in Malaysia and the new plants under construction in Tianjin (China) and Singapore.

- **Technical equipment and machinery** decreased by EUR 6.3 million. Including the equipment not yet in use in the USA, there was a EUR 3.7 million increase. The shift in demand on international construction markets means that our construction works require increasingly large machinery and equipment. Consequently, small equipment is increasingly being replaced by much larger machinery, leading to an increase in fixed assets.

- **Other equipment, factory and office equipment** decreased by EUR 1.4 million to EUR 27.7 million.

- **Investments accounted for using the equity method** increased by EUR 4.3 million. The main change relates to Wöhr + Bauer GmbH (+ EUR 4.5 million).

- **Deferred tax assets** increased by EUR 4.2 million.

- **Receivables from concession arrangements** include the biological water treatment plant for the oil industry in Oman which was financed by us and which we have been contracted to operate for a period of 20 years. The facility was expanded to around double its capacity in the year under review, though the expansion was financed by the customer. The recognized value will reduce by around EUR 2 million a year, and will vary as exchange rates shift. It was EUR 40.8 million.

- **Other non-current financial assets** decreased by EUR 0.6 million (customer financing in the USA) to EUR 6.8 million.

- **Raw materials and supplies** totalled EUR 152.8 million – virtually the same as last year. Some 40 percent of this item relates to the Construction and Resources segments.

Assets | **Equity and liabilities**

Non-current assets
EUR 593 million (39 %)
(2011: EUR 578 million (39 %))

Current assets
EUR 883 million (58 %)
(2011: EUR 884 million (59 %))

Liquid funds
EUR 45 million (3 %)
(2011: EUR 25 million (2 %))

Shareholders' equity
EUR 483 million (32 %)
(2011: EUR 470 million (32 %))

Non-current assets
EUR 545 million (36 %)
(2011: EUR 463 million (31 %))

Current assets
EUR 493 million (32 %)
(2011: EUR 554 million (37 %))

EUR 1,521 million | **EUR 1,521 million**

- **Work in progress and finished goods and merchandise** decreased by EUR 36.8 million to EUR 275.4 million. This was in line with our strategy of reducing inventories in the Equipment segment to some extent during the year under review. The new TBA 300/440 M1 rig built following delivery of the first deep drilling rig to Venezuela was recognized under this item as per the year-end.

- **Receivables from construction contracts (PoC)** increased by EUR 26.9 million to EUR 116.4 million. Changes in this item result from the random percentage of completion of our projects at the year-end.

- **Trade receivables** increased by EUR 9.1 million to EUR 264.2 million.

- **Other current assets** decreased by EUR 8.4 million to EUR 47.7 million.

- **Other current financial assets** increased from EUR 6.2 million to EUR 12.4 million. The main change relates to instalment payment agreements in the USA (EUR 4.2 million) which were transferred from non-current to current assets.

In assessing the Assets side of the consolidated balance sheet, it is important to note that this is composed of a Construction element (relating to the Construction and Resources segments) and an Equipment element (relating to machinery manufacturing operations). Some specific items relate almost exclusively to the Construction segment, while others relate only to the Equipment segment. The main items of such kinds are listed in the following:

- Within **property, plant and equipment**, well over two thirds of the land, land rights and buildings item relates to the Equipment segment, whereas around three quarters of the technical equipment and machinery item is attributable to the Construction segment.

- Some 60 percent of the **raw materials and supplies** item is linked to the machinery manufacturing operations of the Equipment segment. Inventories of king piles and sheet piles relate only to the Construction segment.

- Some 90 percent of the **work in progress and finished goods and merchandise** item relates to the Equipment segment, with a small percentage attributable to the

Construction and Resources segments. In the Equipment segment, it is essential to successful selling operations to maintain stocks of rental equipment as part of current assets, so that customers can try out the machinery before making their final purchasing decision. Equipment can also be drawn from the pool to cover short-term capacity bottlenecks on construction sites. The machinery in production at the balance sheet date also represents a very substantial capital tie-up. Adequate provision has been made for depreciation in the value of inventories.

- **Receivables from construction contracts (PoC)** almost entirely relate to the Construction and Resources segments. By contrast, the trade receivables item relates half to the Construction and Resources segments and half to the Equipment segment. This roughly matches the respective contributions of the segments to total Group revenues.

These different weightings are barely relevant to inter-period balance sheet comparisons when the rate of growth – either positive or negative – of the business areas is roughly the same.

On the Equity and Liabilities side:

- The **shareholders' equity** rose by EUR 12.6 million, though the negative shift in exchange rates reduced it by EUR 2.6 million. The amount is included in the other revenue reserves item.

- **Minority interests** decreased by EUR 0.3 million to EUR 33.4 million.

- The **non-current portion of liabilities to banks** mostly comprises promissory notes and long-term loans. The due dates of the liabilities are spread evenly across a lengthy period of time such that the annual refinancing relates only to a small portion of them each year. Refinancing was undertaken once again in 2012 in order to safeguard the Group's long-term finance. This increased the item by EUR 71.0 million. Only a small amount of refinancing will be necessary in 2013.

- Since the pension schemes of BAUER AG, BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and BAUER Resources GmbH have been closed for a number of years now, the increase in the non-current portion of **defined benefit liabilities** (EUR +1.1 million) is at a level which our Group companies are able to withstand.

- **Deferred tax liabilities** increased by EUR 6.4 million.

- The **current portion of liabilities to banks** decreased by EUR 83.5 million due to the substantially higher non-current financing.

- **Liabilities from construction contracts** relate primarily to construction projects on which the payments received surpass the work carried out or where no work has yet been performed. They increased by EUR 16.4 million.

- **Trade payables** of EUR 9.5 million increased at a slightly greater rate (+7.4 percent) than the rate of rise in revenues. This increase is partly coincidental. It does, however, also in part conform to our strategy of including our suppliers more closely in providing the increased up-front financing needed. By this practice we are able to make use of all discounting opportunities.

- **Other current liabilities** increased by EUR 3.1 million.

- **Other current financial liabilities** decreased by EUR 8.4 million to EUR 13.7 million.

The ratio of net assets to consolidated revenues decreased slightly to 109.8 percent.

Net cash from operating activities shown in the **cash flow statement** increased substantially from EUR 8.5 million to EUR 165.7 million. The following factors contributed to this change:

- Depreciations on fixed assets totalled EUR 76.4 million.

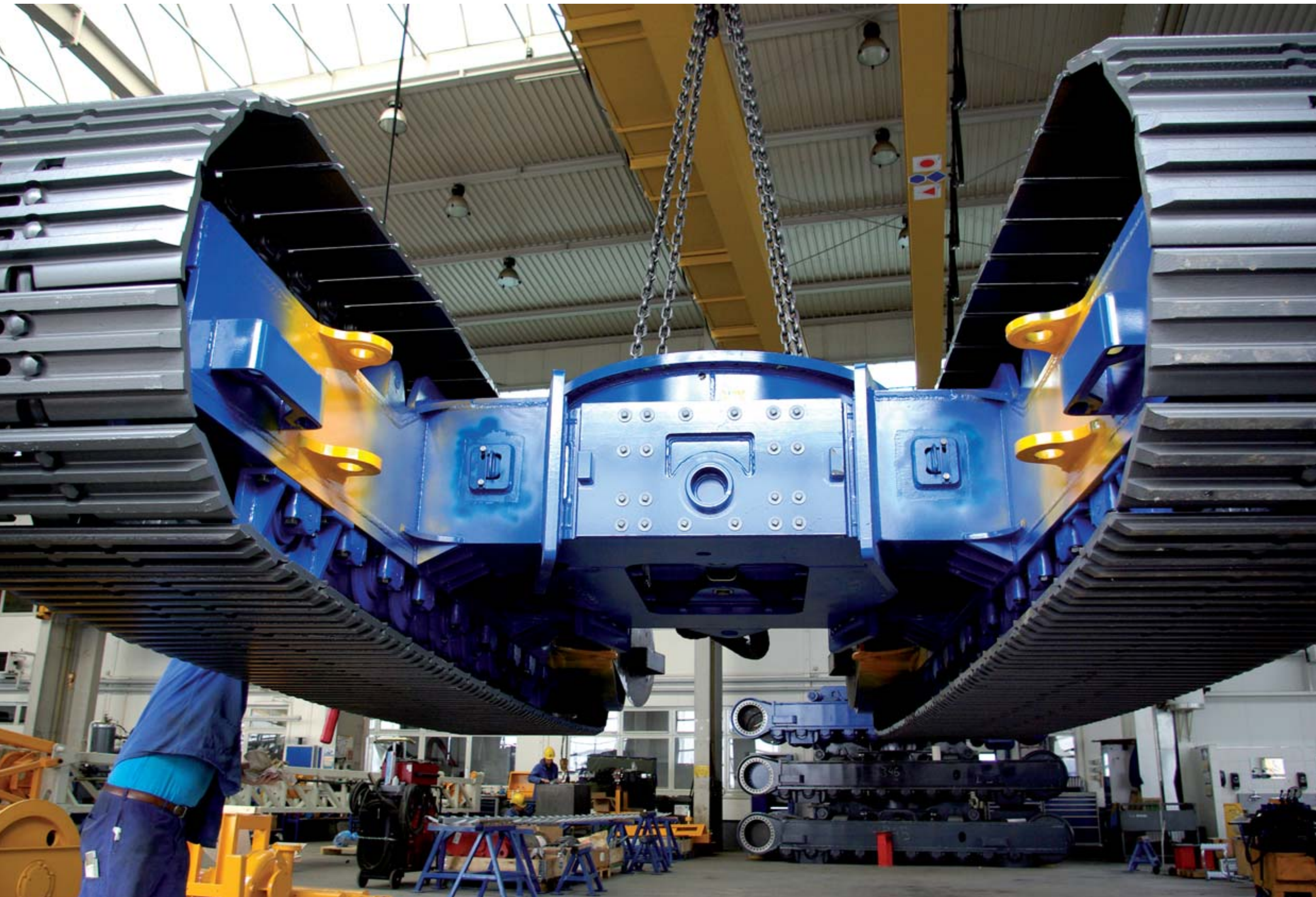
- The decrease in inventories in the financial year, especially due to the reduced levels of work in progress and finished goods and merchandise, resulted in EUR 18.2 million in funds being released.

- Trade payables increased by EUR 11.8 million. The increase was explained in the notes to the net asset position.

Cash flow from investing activities totalling EUR -76.2 million decreased slightly, to EUR 8.5 million below last year's figure, mainly due to income from the sale of fixed assets accompanied by virtually the same levels of investment in intangible assets and in property, plant and equipment.

The outflow of funds from financing activities was EUR -68 million. New indebtedness to banks totalling EUR 56.6 million, loan repayments totalling EUR 71.4 million and interest payments totalling EUR 40.0 million were contributing factors.

Among the product portfolio of the SCHACHTBAU NORDHAUSEN GmbH Mechanical Engineering division are undercarriages for foundation engineering. They are designed specially for use with heavy-duty construction machines weighing between 45 and 200 t.



VI. REMUNERATION REPORT

The Remuneration Report summarizes the principles applied in determining the remuneration paid to the Management Board of BAUER AG and explains the underlying principles and amount with regard to the remuneration paid to the Supervisory Board.

Remuneration of the Management Board
The Management Board of BAUER AG comprised three members in the year under review. The Supervisory Board sets the overall levels of remuneration paid to the individual members of the Management Board based on proposals submitted by the Presidial and Personnel Committee. The plenary Supervisory Board reviews and approves the remuneration system for the members of the Management Board following prior consultations in the Presidial and Personnel Committee.

The system of remuneration paid to the members of the Management Board did not change from the previous year. The overall levels of remuneration paid to the individual members are set on the basis of a performance assessment. This process assures that the overall remuneration is appropriate to the duties and performance of the Management Board member concerned and to the situation of the company. The remuneration paid to each Management Board member is composed of a fixed basic salary, paid in equal monthly instalments, and a variable annual bonus which is determined according to both short-term and long-term criteria at the discretion of the Supervisory Board. The short-term criteria applied in assessing levels of variable remuneration are weighted equally to the long-term criteria.

The criteria for setting the fixed remuneration to members of the Management Board are the assignment of duties, the performance of the respective Management Board member, the economic position of the Group and its profitability and ongoing future prospects.

The variable remuneration paid to each member of the Management Board is limited by an individually defined maximum bonus level. This maximum is the upper limit of potential bonus payment in the normal course of business, and is paid in full if all set goals are attained. If business performance is exceptionally good, the said levels may be surpassed by up to 1.8 times.

The short-term criteria applied in setting the variable remuneration elements are the performance of the respective Management Board members in the past financial year and the economic position of the Group in respect of attainment of budget targets in the year under review, particularly the attainment of profit and revenue targets, taking into account general economic trends.

The long-term criteria applied in setting the variable remuneration elements are the success and future prospects of the Group and the performance of the Management Board in respect of these criteria. This assessment judges the decision-making of the Management Board in terms of sustainable business development over the past three financial years and the effects of this decision-making in achieving long-term stability for the business. Criteria applied here are long-term profit and revenue prospects, sustainable personnel development in accordance with the future prospects of the Group, the development of the corporate culture, the development of intra-Group collaboration, the safeguarding of corporate harmony, strategic market and product development, long-term investment planning, risk and security management, long-term financial stability, and the quality of key financial indicators relative to the prevailing economic conditions.

In assessing the appropriateness of the remuneration paid to the Management Board, the variable remuneration is set and compared in proportion to the fixed basic salary. Furthermore, the fixed and variable portions respectively, and the overall remuneration paid, are compared against the normal levels of remuneration received by management board members of other stock market quoted companies, and other companies operating in the same sector, or companies similar in other ways, in Germany (horizontal comparison). A vertical comparison is carried out on two levels: firstly, the salaries of the Management Board members are compared against those of the directors of the major BAUER Group subsidiaries; secondly, they are assessed relative to salary grade A VIII stipulated in the collective pay agreement applicable within the Group within the industry-wide framework of salary and training remuneration to salaried staff and foremen in the construction sector.

The remuneration is further set so as to remain competitive with that generally paid to highly qualified management staff on the market as a whole.

The Annual General Meeting held on June 30, 2011 resolved that the BAUER AG financial statements and the Group consolidated financial statements for the financial years 2011 to 2015 would contain no disclosures of the remuneration paid to individual Management Board members, thereby applying the legal authority assigned to it by section 286, subsection 5 and section 314, subsection 2 of the German Commercial Code (HGB).

The total remuneration paid to members of the Management Board in the year under review, excluding allocations to provisions for defined benefit plans, was EUR 1,389 thousand (previous year: EUR 1,420 thousand). Of that total, EUR 1,019 thousand (previous year: 980 thousand) was not performance-related and EUR 370 thousand (previous year: 440 thousand) was performance-related. The total remuneration includes benefits in kind arising from the private use of a company car and reimbursement of travel expenses for each member of the Management Board, as well as pro rata group accident insurance premiums and employer's liability insurance association contributions.

The company pension scheme for Management Board members incurred pension service costs totalling EUR 114 thousand (previous year: 98 thousand). The pay component entailing vested pension rights, which serves as the basis for calculating pension levels, is significantly lower than the basic salary in all contracts. Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Management Board at the year-end was EUR 3,596 thousand (previous year: EUR 2,953 thousand).

The contracts of Management Board members include individual severance clauses regulating the specific terms of premature termination, with settlements oriented to the length of service of the Management Board member concerned and gauged so as not to exceed an amount of two years' remuneration for any one Management Board member. No provisions for compensation in the event of a takeover offer being made have been agreed with the members of the Management Board.

Remuneration of the Supervisory Board

Calculation of the remuneration paid to the members of the Supervisory Board is specified in detail in the Articles of Association of BAUER AG. Each member of the Supervisory Board receives a basic annual fee of EUR 18 thousand, payable in December of each financial year, plus reimbursement of out-of-pocket expenses and any sales tax (VAT) liability incurred in performing the duties of a Supervisory Board member. The Chairman of the Supervisory Board receives twice that amount of remuneration, and the Deputy Chairman 1.5 times the amount. The basic remuneration amounts are increased by 10 percent for each membership of a Supervisory Board committee, provided that the committee in question was convened at least twice in the financial year. Membership of the Mediation Committee is excluded from these remuneration provisions. Changes to the Supervisory Board and/or its committees are taken into account in the remuneration proportionate to the respective member's time in office, and rounded up or down to full months based on the standard commercial rule. The members of the Supervisory Board receive no performance-related pay.

The net remuneration paid to all the members of the Supervisory Board in the 2012 financial year totalled EUR 254 thousand (previous year: EUR 254 thousand).

Other

No loans or advances were paid to members of executive bodies of the company in the year under review, nor were any liabilities entered into in their favour. As a matter of principle, no securities-oriented incentive systems exist for members of the Management Board or Supervisory Board of BAUER AG, or for Group employees in Germany. BAUER AG provides D&O (Directors and Officers) group insurance cover in respect of liability for economic loss to the members of executive bodies of BAUER AG and of all affiliates in Germany and internationally in which a majority share is held. The D&O policy includes an appropriate excess for the insured parties. For the members of the Management Board, the minimum

The remuneration paid to the individual members of the Supervisory Board is listed in the following (excluding sales tax and expenses):

in EUR '000	2011	2012
Chairman		
Dr. Klaus Reinhardt	38	38
Deputy Chairman		
Robert Feiger	27	27
Employer representatives		
Dr.-Ing. Dr.-Ing. E.h. Karlheinz Bauer	10	0
Dr.-Ing. Johannes Bauer	10	20
Dipl.-Ing. (FH) Rainer Schuster	18	18
Dipl.-Ing. (FH) Elisabeth Teschemacher	18	18
Gerardus N. G. Wirken	20	20
Prof. Dr. Manfred Nußbaumer	20	20
Employee representatives		
Dipl.-Volkswirt Norbert Ewald	20	20
Ronald Hühne	9	0
Regina Andel	9	18
Dipl.-Ing. Gerold Schwab	20	20
Dipl.-Ing. (FH) Walter Sigl	18	18
Reinhard Irrenhauser	9	18
Gerhard Piske	9	0
Total *	**254**	**254**

* Rounding to thousands of EUR resulted in a rounding difference of EUR 1 thousand in 2011 and 2012.

excess stipulated by law of 10 percent of the loss up to at least an amount representing one and a half times the fixed annual remuneration of the Management Board member concerned was agreed in the D&O insurance policy in the year under review.

The members of the Management Board are required to limit the extent to which they take on Supervisory Board mandates and other administrative or voluntary functions outside of the company. The members of the Management Board may not, without the consent of the Supervisory Board, carry out any trade or business or conduct, on their own or a third-party's account, any dealings in the sector in which the company operates. Further, they may not, without the consent of the Supervisory Board, become a management board member, director or personally liable shareholder of any other trading company. This ensures that no conflict arises with the assigned duties of the Management Board member either in relation to time commitment or to remuneration received. No separate remuneration is paid for the assumption of executive or supervisory mandates on the boards of Group companies.

VII. SUSTAINABILITY

SUSTAINABILITY WITHIN THE BAUER GROUP

The prime responsibility within the Group in terms of the sustainable development of the business and policies relating to matters of quality, health and safety and environmental protection lies with the Group Management Board and with the directors of the holding companies of the Construction, Equipment and Resources segments.

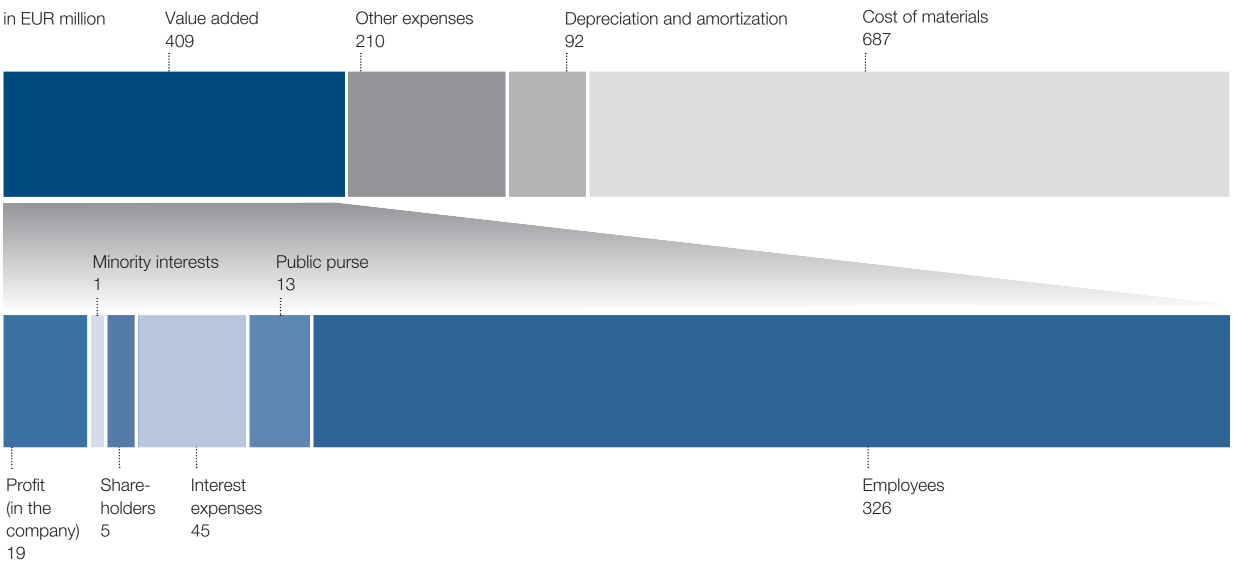
The Corporate Social Responsibility Committee (CSR), which meets once a year and comprises the Group Management Board members together with representatives of the Human Resources, HSE, Training and Investor Relations functions of BAUER AG, reviews the latest trends and developments relating to sustainability and stipulates measures and goals for the coming year. The annual Sustainability Report, which since 2011 has been compiled in compliance with the requirements of the Global Reporting Initiative (GRI), provides detailed information on the actions taken and progress towards the set goals.

BAUER'S TRIPLE A

In order to keep our employees' focus on the core concerns which are of prime importance to the future of our Group, we have created the "Bauer's Triple A" concept. Applied as a benchmark in all key meetings and discussions, the slogan is based on the top mark awarded by credit rating agencies.

The topics to which "Bauer's Triple A" is applied include the HSE (Health Safety Environment) function, which has been enhanced in recent years particularly by the establishment of Group-wide standards. The issues of quality and ethics are also core aspects of all we do. We aim to provide our customers with top quality, and seek to act fairly and equitably in relations with all our stakeholders. The third 'A' relates to performance – that is to say, the commercial profitability of the business. Our aim is to achieve top marks in all areas – a Triple A in fact.

Value added 2012



<<< The water shortage in Jordan is among the most severe in the world. Resources subsidiary Site Group sunk 55 wells down to depths of 600 m to improve drinking water supply to the capital Amman.

STAKEHOLDER DIALOGUE

As an international concern, the BAUER Group has to deal with a wide range of different stakeholders. Customers, business partners, employees, shareholders, analysts, as well as local and region government and indeed the public at large, all have wide-ranging interests in the company, the success it achieves, or the projects it undertakes.

Our primary aims are to satisfy our customers, employees and shareholders in the best way possible. They are our principal target groups, and are key to the success of the business. However, we also have a responsibility to our region and to society in general; we seek to maintain positive partnerships with our suppliers; and we work closely with scientific research organizations.

EMPLOYEES

The commitment, know-how and innovative ideas of our employees are vital to the success of the business. In view of that fact, personnel development is of the highest priority to the management of the BAUER Group.

Employee-related data

The companies of the BAUER Group worldwide employed 10,253 people (previous year: 9.646). The workforce is broken down as follows:

- **Construction segment:** 5,454 (previous year: 5,113)
- **Equipment segment:** 2,952 (previous year: 2,915)
- **Resources segment:** 1,578 (previous year: 1,367)
- **BAUER AG and subsidiaries:** 269 (previous year: 251)

The trend in workforce numbers within the Group was in line with our planning. There were also some substantial changes at a number of subsidiaries in order to cover workload. The extremely broad international spread of the Group means that variations in workforce numbers can only be compared to a very limited extent to variations in output, as projects often lead to major changes in countries where pay levels are very low.

By the nature of its operations, the workforce of the **Construction segment** is subject to the greatest fluctuation dependent on the number of major projects being handled in specific countries. Consequently, the biggest growth was achieved by the subsidiaries in Malaysia (290 employees), Thailand (67 employees) and Russia (59 employees). In some countries, such as Vietnam, fewer people were employed in the year under review than in the previous year owing to the weaker state of the market. The generally healthy levels of orders in hand led to an increase in the Construction segment workforce overall.

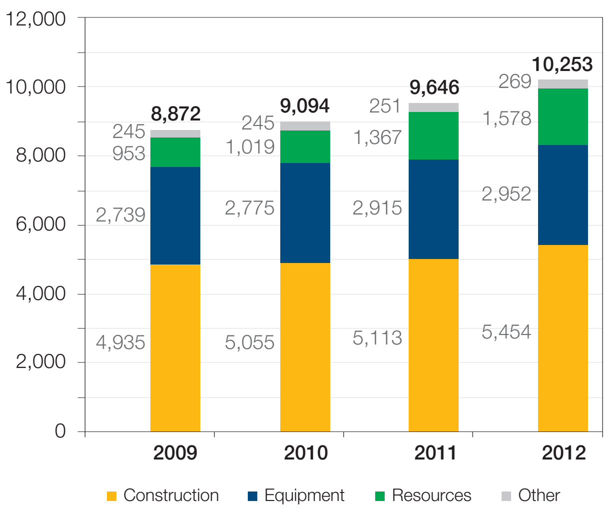
Workforce numbers in the **Equipment segment** increased only marginally. Most of the small rise was attributable to recruitment of new staff at the production facilities in the Far East. Workforce numbers in Germany remained virtually constant. One of our key goals is to retain the loyalty of our core permanent workforce, which we again succeeded in doing in the past year. The slight cutback in production in the second half of the year resulting from somewhat lower than expected demand in the Equipment segment was managed by balancing out overtime and unused holiday entitlements from the first half.

In the year under review the workforce of the **Resources segment** was expanded primarily in Jordan due to the major projects of the Site Group for Services and Well Drilling Ltd. Co. The new subsidiary in Chile added a further 26 people to the workforce.

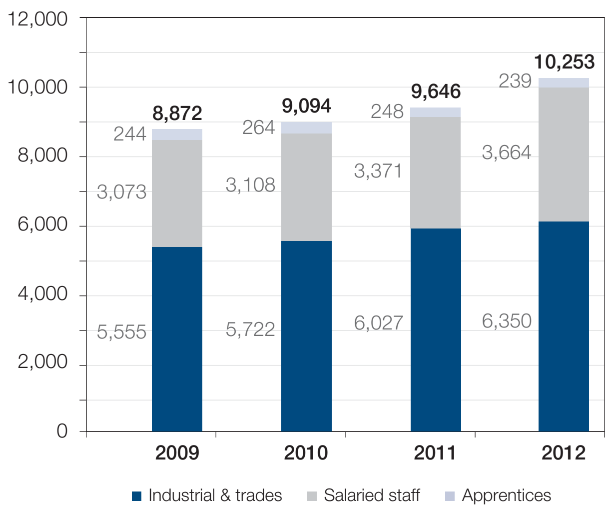
Education

Training young people is a key concern for us. We regard it very much as an investment in the future and are particularly proud that senior management posts are held by people who began their careers with us as trainees.

Employees by segment



Employees by employment terms



To make contact with young people at an early stage and attract them to our business, we participate in a range of school activities as well as offering class tours to enable them to find out all about the company and its culture. We not only train young people in trades and provide them with technical or clerical and commercial skills; we are also keen to support and develop students. We offer students from Germany and abroad the opportunity to gather practical experience, enhancing their skills and knowledge and in some cases enabling them to compile their Bachelor's or Master's degree dissertations while with us.

Cooperating with centres of higher education is very important to our business. Such cooperation gives us access to the latest research results, allows us to network with scientists throughout Germany, and provides us with know-how to apply in our own research projects. By participating in recruitment fairs and other graduate events we come into contact with students and have the opportunity to attract them to our business. The BAUER Group has links to over 80 centres of higher education in Germany.

Since 2011, our parent company in Schrobenhausen has been offering dual study courses in engineering and information technology in cooperation with the Hochschule Ingolstadt technical college. The study comprises some seven semesters. During breaks in the teaching schedule, students work at the company, gathering practical experience in different departments. One semester is devoted entirely to practical work, and can be used by students to spend time working abroad.

Training and development

After completing their apprenticeship or course of study, the period of learning is by no means over for most. Personal growth is becoming increasingly important in society as a whole. The continually rising challenges are turning learning into a life-long process. Only those who undergo continuous development, and are capable of learning new things and gathering new experience, will achieve long-term career success. That is why we in the BAUER Group actively promote the concepts of independent responsibility and practice-orientated learning, and it is why we invest so much in staff training and development.

BAUER Training Center GmbH (BTC) is a Group company dedicated to the training and development of our employees. Every year it publishes an extensive training programme which staff can utilize in order to gain further qualifications. Another key area of focus is on training programmes for customers and other business partners. The BTC is certified as an accredited professional training facility by the TÜV South accreditation body, and also offers professional training on the open labour market. Cooperation agreements with trade and professional bodies are scheduled to be expanded still further in future.

Testing to acquire the "Qualified Operator of Rotary Drilling Rigs and Pile Drivers" licence, which has been part of the training programme since 2010, is very popular among the company's employees. Many of those who operate heavy-duty rotary drilling rigs have passed the test. Staff of customers and business partners can also register to take the test and to undergo equipment operator training.

International subsidiaries are now also included in the training programme. We plan to expand this form of cooperation. Training in construction technology is scheduled to be launched for in-house staff in Latin America. It will also incorporate sales training courses, which will be conducted primarily in Asia and the USA. The BAUER Training Center GmbH is also the controlling unit in relation to the selection of trainers and training bodies.

The subject of training and development is one which is being communicated with increasing intensity and broadened in scope across the Group. The BAUER Training Center GmbH is continually receiving new requests for seminars or training courses to be conducted locally at Group subsidiaries in Germany. A committee consults on measures and instruments to develop employees and managers with the aim of integrating Group subsidiaries more closely into the system, so as to identify and exploit existing potential among other aims.

Other instruments, such as the company's international exchange programme, personalized coaching and mentoring actively assist our management and staff to develop their skills and do their jobs more effectively.

In 2012 the BAUER Training Center GmbH was assigned a budget of around EUR 2.1 million (previous year: EUR 1.8 million) for the provision of training and development measures to in-house staff. Almost 2,817 in-house staff (previous year: 2,662) participated in the seminars of BAUER Training Center GmbH. A total of 534 (previous year: 526) internal and external seminars as well as external conferences were attended.

Work-life balance

Flexible working times are extremely important, especially for staff working on construction sites. The changing seasons and variable weather conditions play a role in dictating life on-site. The BAUER Group was one of the first companies in the construction industry to introduce annual working time balances. These enabled staff to attain a consistent level of income and so plan their spending accordingly. The plants in Schrobenhausen have likewise been operating flexible working times for many years. They enable staff to take breaks and finish work at times more closely in line with their personal needs.

Our '57plus' scheme introduced in 2011 offers employees a flexible transition from working life to retirement. They are able to choose between two variants: The first option enables employees, on reaching their 57th birthday, to take additional time off over and above their statutory holiday entitlement, or to reduce their working hours, with adjusted pay. The second variant enables them to postpone their retirement until their 67th birthday at the latest.

The issue of work-life balance is becoming increasingly important. Many mothers and fathers are seeking better ways to combine their work and family life. This issue is also the subject of intense scrutiny in relation to personnel policy, and the company is attempting to find the best possible solutions. Our employees are able to choose from a wide variety of part-time working models, depending on their function and to the extent allowable under local regulations in specific countries. These enable them to arrange their working hours in the most family-friendly way possible.

Another essential prerequisite for a good work-life balance is comprehensive, affordable, high-quality child-care. Reflecting this concern, at our Group headquarters in Schrobenhausen, where we are the region's largest employer, we have for a many years been supporting local day-care facilities.

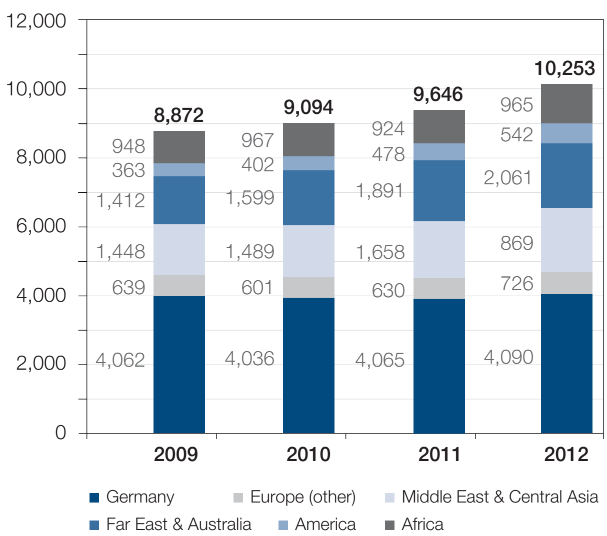
Diversity

The ratio of women to men in senior management posts, including on company boards, is subject to a great deal of public debate. We are also concerned about the issue, although we primarily view 'diversity' as meaning something different. Diversity in business incorporates many different aspects, including ethnic origin, religion, age, and gender too. In 2012 the Group employed people from 87 different countries.

As a construction and machinery manufacturing concern principally engaged in technical activities, we are faced with the problem that not enough women apply when vacancies arise. We are attempting to improve this situation by a wide range of measures. For example, we participate in the annual "Girls' Day", which seeks to encourage schoolgirls to take an interest in technical and engineering professions, and in the Technical University of Munich's "mentorING" career-building programme for young female engineers and scientists. Despite these efforts, only around 7 percent of applicants for technical posts overall are women. Consequently, only a little over 10 percent of the BAUER Group's employees are female. This illustrates the fact that discussions surrounding a fixed quota system for the appointment of women to board or senior management level posts are misguided.

In 2011 a Group-wide committee was established with the title "Men and Women at Work". It comprises three men and three women, each from differing family circumstances. The committee meetings, held twice a year, consider issues such as equal opportunities and work-life balance. In 2012 guidelines were adopted to stipulate how the issues of equal opportunities and work-life balance are dealt with across the business. The guidelines can be viewed on the company website in the "Careers" section.

Employees by region



CAPITAL INVESTMENTS

In view of the general global economic climate, we – like others – significantly reduced our capital investments compared to previous years in 2012. They were nevertheless still above our depreciation levels. The pace of technological progress in our business has become faster, so it is only possible to improve performance by increasing investment.

Construction began on two new plants for the **Equipment segment** in China and Singapore in 2012. Both investments became necessary because the government agencies in the locations concerned had terminated the company's existing lease agreements in order to use the sites for other purposes. A positive outcome of this situation is that the new leases will run for much longer terms: 50 years in China, and 30 years in Singapore. The Chinese plant will continue to produce our rotary drilling rigs for the local market. The plant in Singapore serves as a central warehouse facility, rental centre and repair workshop for our equipment customers in the Far East. On completion of the two plants in the course of 2013, all our major production facilities will have been made fit for the future, meaning that much less capital investment will be necessary in them over the coming years.

Major investments were also made on behalf of the **Resources segment** in the past year. The upgrading of our plants that manufacture well engineering materials, especially, necessitated substantial capital investment. New machinery was also purchased for drilling.

Further intensive investments were made in equipment, specifically in the **Construction segment**, in order to meet the market demand for ever more powerful machinery to handle specialist projects. We have for years now been seeing a trend towards ever larger volumes in international infrastructure projects, and we are increasingly needing ever larger machinery to carry out the associated specialist foundation engineering works. This demands higher levels of investment, but also opens up new market opportunities for us. The sites for the scheduled large-scale projects in the USA, Hong Kong, Saudi Arabia and Russia were established in late 2012. A number of new heavy-duty rigs had to be procured for the purpose.

In financial 2012 the **BAUER Group** invested a total of EUR 96.4 million (previous year: EUR 96.6 million) in property, plant and equipment. Depreciation of fixed assets across the Group totalled EUR 76.4 million (previous year: EUR 66.3 million). Write-downs of inventories due to use Group-wide totalled EUR 15.4 million (previous year: EUR 15.9 million).

Additions to the tangible assets of **BAUER AG** in the 2012 financial year totalled EUR 2.1 million (previous year: EUR 1.6 million), against depreciation totalling EUR 1.4 million (previous year: EUR 1.4 million).

Ongoing capital investments were funded primarily by cash flows from operating activities, as well as from cash flows from borrowing.

RESEARCH AND DEVELOPMENT

The BAUER Group invested substantial sums in developing new construction methods and machinery in financial 2012. Key areas of focus were heavy-duty rotary drilling rigs, drilling tool technology, small boring equipment in the field of anchoring and high-pressure injection, diaphragm wall technology, deep drilling, underwater drilling, and measuring technology for quality control purposes. We also worked intensively to develop our cranes range, as a result of which we can now offer Bauer cranes to handle any specialist foundation engineering processes.

The reorganization of research and development structures within BAUER Maschinen GmbH in 2011 has proved very worthwhile, resulting in a marked enhancement of development work in the individual business units. The various machine groups have dedicated, product-specific departments with independently managed development capacity. This has brought the development, product management and sales functions much closer together, enabling faster development cycles as part of our efforts to build on our competitive edge on the market.

We have made great progress in the further development of our deep drilling rigs. The launch of the smaller models in the series was particularly successful. The first six 100 t capacity rigs, developed together with a partner in Botswana, were sold to China in late 2012. The prototype has already been successfully deployed in Botswana.

We have driven forward our development work on underwater drilling rigs. Back in 2011 we developed our first rig and successfully tested it off the coast of Scotland. It is capable of drilling into ultra-hard rock even in strong currents. This makes it possible to sink foundations for tidal turbines. In 2012 we focused on foundations for offshore wind turbines. It is fundamentally very difficult to develop drilling techniques for sinking piles in very soft sea beds. The problem lies in stabilizing the bores until they can be concreted.

We are now in a position to solve that problem by an entirely new technique which mixes the surrounding earth with a cement suspension. This might be usable in future to avoid the noisy and ecologically damaging process of pile-driving. Our developments are already being marketed. Owing to the many delays on wind farm and tidal turbine projects, we expect it to be a few years before we see substantial success in this market segment however.

Research and development in the BAUER Group

	2011				2012			
	Construction	Equipment	Resources	BAUER Group	Construction	Equipment	Resources	BAUER Group
Total Group revenues (in EUR million)	562.8	600.0	209.1	1,371.8	642.5	543.2	259.9	1,445.6
R&D expenditure (in EUR million)	6.2	24.7	2.5	33.4	3.1	25.0	2.6	30.7
as % of total Group revenues	1.1	4.1	1.2	2.4	0.5	4.6	1.0	2.1
Group employees	5,113	2,915	1,367	9,646	5,454	2,952	1,578	10,253
R&D employees	56	182	23	261	44	184	34	262
Patent series	-	-	-	242	-	-	-	251
Applications, patents, etc.	-	-	-	1,285	-	-	-	1,340

For many years now, our products and services have extended well beyond the bounds of specialist foundation engineering. The BAUER Group today is a machinery manufacturer and service provider in all fields relating to ground and groundwater. Pursuing that strategy, many units within the Group have been undertaking additional development work, such as to design new pipes for underground engineering installations, to advance water purification based on a wide variety of methods, and to produce modern materials for use in geotechnical applications. A state-of-the-art system of innovation management is practised with great intensity by all Group units.

In the Equipment segment we invest over 4.6 percent (including internal and project-related expenditure) of the corresponding portion of total Group revenues in research and development. A staff of some 184 people is involved in this field, as well as outside consulting engineers and interns. Research and development activities are routinely reviewed and extended in response to the ever increasing rate of change in market demands. We are also continuing to expand our development departments outside of Germany, such as in India and China. This will enable us to benefit from the large numbers of highly trained engineers available on local labour markets.

Research and development expenditure in the Construction segment is 0.5 percent of total Group revenues, and in the Resources segment 1.0 percent. We invest further significant resources in the preparation and design of construction sites. Profitable construction contracts are very often obtained on the basis of special proposals on the market. Drawing up such special proposals is development work, and also provides a competitive edge for future projects on which the costs cannot be recorded separately from the general construction works.

Our expenditure on research and development is reflected in 251 (previous year: 242) current patent series, including 1,340 (previous year: 1,285) patent applications, registered patents and utility models worldwide.

HEALTH SAFETY ENVIRONMENT (HSE)

The BAUER Group's HSE guidelines set out the procedures for planning, implementing and continuously monitoring the efficacy of Group-wide international health, safety and environmental standards. The guidelines are oriented to the ILO, OHSAS 18001 and ISO 14001 standards. For the BAUER Group, HSE is an integral element of everything we do in manufacturing our products and rendering our specialist services, and in our business processes.

Where existing HSE systems operated by our subsidiaries conform to – or in specific aspects surpass – the guidelines, they can be applied without modification. If they do not, the systems concerned must be upgraded accordingly.

The HSE guidelines stipulate the minimum requirements for all HSE systems across the BAUER Group, and they apply worldwide. They are founded on the corporate HSE policy of the BAUER Group. By continually reviewing our performance and cross-checking it against set HSE standards and objectives, we are able to achieve continuous improvement of our HSE system and so consistently minimize our accident and damage rates, with the clear aim of reducing them to zero.

The directors, department heads and project managers of BAUER Group companies are directly and unreservedly responsible for implementing our HSE policy in their respective areas. They are assisted in doing so by their HSE managers. We further expect each and every one of our employees to assume personal responsibility for ensuring safety at work and compliance with company rules, standards and prescribed working practices.

The following general safety principles apply in all companies of the BAUER Group:

- All potential HSE hazards and risks in all business processes within BAUER Group companies must be identified, assessed and documented.

- All legal requirements and technical standards and regulations relating to HSE in all business processes within BAUER Group companies must be identified and documented.

- All HSE hazards and risks identified must be assessed in terms of their potential impact on the health and safety of people and on the environment.

- Appropriate instructions, rules and procedures must be developed in order to eliminate the identified risks. If this is not possible in every respect, the risk must be at least minimized to an acceptable level.

- Preventive and corrective action to avoid risk must be implemented based on the TOP (Technical/Organizational/Personal) hierarchy.

- In the event of changes to standards or procedures, the risk assessment must be reviewed and updated accordingly.

- All assessments and action implemented must be documented in writing.

All Group companies must draw up an annual HSE plan. This must include the following items as a minimum:

- Action arising from evaluation of the last HSE audits and management reviews

- Action to comply with amended laws or technical HSE standards

- Measurable HSE standards and objectives

- Planned activities to attain HSE standards and objectives

- Scheduling of HSE audits and inspections within the company

The success and efficacy of the global HSE management system guidelines is reviewed annually by the senior management of the BAUER Group.

Health and safety

The ever wider spreading and ever faster advancing process of globalization continually throws up new challenges for HSE as other areas. As a global concern, operating plants and extensive construction projects – both onshore and offshore – in many countries around the world, the BAUER Group must face up to those challenges. One of our key tasks in this respect is to protect the health of our employees and to ensure safe working conditions for everyone engaged in the business. The BAUER Group has fulfilled its responsibility by implementing high HSE standards and issuing HSE guidelines for all Group companies.

Compliance with national and international standards is just one aspect which we expect from all our business units. It is essential for a global concern to impose its own high standards, rules and procedures in relation to HSE, and to monitor and continuously improve their implementation.

We do this by means of inspections on our own project sites and in our production facilities as well as on the sites and projects run by our customers. The inspections are conducted by our HSE specialists together with senior management. This closely integrates management into HSE procedures, so also sending a clear signal to all our employees that health and safety is a prime concern within the Group. Moreover, regular internal HSE audits across the Group assure compliance with HSE standards and procedures.

We do of course expect all our Group companies to carry out risk assessments in respect of the work they do, so as to identify all relevant risks posed. The measures necessary to protect the workforce and the environment are then derived from its findings. The HSE standards, such as regarding the use of personal protective equipment (PPE) or the storage of water-polluting substances, are of course binding upon all Group companies at all times and in all locations.

All our employees are routinely trained in HSE matters. Weekly safety meetings involving all members of staff are held on our construction sites and in all our production facilities. This helps raise awareness and acceptance of HSE standards and procedures among our workforce.

Environment

The environmental management system of the BAUER Group applies throughout the Group. It defines environmental protection as an integral element of corporate HSE policy. The key factor in this is that environmental protection is at the forefront of awareness in everything we do, in all phases, in all divisions and departments and in all aspects of business processes and procedures – particularly in production and on construction sites. This can only be achieved if the basic philosophy of the Group, incorporating its autonomous units, is applied in respect of these issues as in other areas.

Consequently, all managers are responsible for ensuring that environmental protection is optimally yet cost-effectively safeguarded and continuously improved. The key personnel in terms of environmental and climate protection are the directors of the individual BAUER Group companies. It is they who define binding targets. Group companies are required to nominate a specific member of staff to monitor compliance. Environmental matters are also considered at monthly meetings with the Group's Management Board. This involves defining strategies arising from the issue of climate change and its consequences.

As a global concern operating over 110 subsidiary companies, and as a manufacturer of equipment for specialist foundation engineering applications and related fields, we are well aware that our activities have an impact on the environment (air, water, soil, etc.). Consequently, the Group's environmental policy clearly states that such environmental impact should be kept to a minimum in every aspect of our operations. We regard compliance with environmental laws and regulations as a minimum standard. However, we also seek by means of preventive measures to continuously improve our environmental protection beyond that minimum level.

Some Group locations and companies – including Schrobenhausen, the home base of BAUER AG, BAUER Maschinen GmbH and BAUER Spezialtiefbau GmbH – already operate environmental management systems certified to standards such as EMAS. BAUER Spezialtiefbau GmbH was the first member of the BAUER Group to participate in the "Umweltpakt Bayern" eco-pact, an environmental initiative between the Bavarian state government and businesses in the state.

The BAUER Group is applying its expertise in specialist foundation engineering and machinery manufacture to help resolve the pressing challenges of the future, such as providing people with access to clean drinking water and preserving and restoring a clean environment. Its Resources segment operates in fields relating to water, the environment, energy and mineral resources. By actively engaging in such fields of business, the BAUER Group is making a concerted contribution in terms of its responsibility to humanity and to the planet.

In cooperation with local subsidiary BAUER Nimr LLC, a huge reed-bed treatment plant has been constructed 700 km from Muscat in Oman which is capable of extracting virtually all the oil from water with the aid of reeds. The plant is able to treat 45,000 cubic metres of produced water from oil wells every day. Phase I, covering an area of 235 hectares, has been in operation since early 2011. Following the great success of the first phase, Bauer was contracted to extend the facility. On completion of phase II at the end of 2012, the reed-bed treatment plant's capacity was doubled to handle 95,000 m^3 of water a day. The new habitat has already resulted in over 100 different bird species being observed at the site to date.

The BAUER Environment Group has received a large number of awards in recognition of this project. One of its major successes was in being designated "Industrial Water Project of the Year" at the Global Water Awards in April 2011. The award was presented by former UN Secretary General Kofi Annan. More recognition followed in rapid succession, including the "Green Innovation Award" at the Oman Green Awards, the "Global Water Award – Oil & Gas" and the MEED Quality Award for Projects.

QUALITY

Despite the diversity of all the different countries and market segments in which we operate, quality remains a key customer requirement everywhere. We aim to satisfy our customers by delivering the products and services they need. We regard the durability of our products also as a contribution to sustainability.

Quality for the BAUER Group is not solely founded on the performance of individuals, but is the result of structured action on the part of everyone involved.

For us, quality management means recording and measuring the individual processes, defining requirements for provision of the necessary personnel and material resources and developing procedures to ensure that all involved are kept up-to-date at all times. It also includes ensuring the traceability of the product creation process and implementing preventive defect avoidance.

Following the motto: "If you stop getting better, you stop being good!", we regard quality management not as being a static system. Audits and delegated representatives' reports are evaluated, assessed by management, and their results incorporated into new goal-setting. Our employees contribute to the success of the business by submitting hundreds of suggestions for improvement every year. In some cases, these have led to products or innovations being registered as patents.

The implementation of change is oriented to the PDCA (Plan, Do, Check, Act) cycle, a structured procedure for change management. A key factor in this is to check the improvement before acting to put it into practice. The special feature of this approach is that the improvement process is never finished, but rather is seen as the basis for further improvement. This ensures that quality management is not only upheld in line with existing standards but also engenders a continuous improvement process.

Many Group companies have not only applied these quality principles but have obtained certification of their compliance in accordance with ISO 9001 or equivalent national standards – and the number of companies doing so continues to rise. This demonstrates the quality capability of our organization to our customers.

Our policy is to implement other management systems in the various Group companies alongside quality management to ISO 9001. This includes certification of HSE management

In Berlin, the Federal Ministry of Education and Research is constructing new office buildings. As part of the works BAUER Spezialtiefbau GmbH produced two excavation pits, with sheet piling and a gel blanket, between March and October 2012.

systems, for example, and systems governing ethics and risk management. Many of our subsidiaries are already certified to ISO 14001. We aim also to assure customer satisfaction in new business fields by implementing industry-specific management systems, such as in conformance to API standards for companies with customers operating in the oil and gas sector.

This diversity of management systems is best organized by means of an integrated approach. After all, in many activities the various aspects need to be considered as an overarching whole. We have therefore decided to set out all management systems in a single Corporate Management Manual. This enables staff to find information on all aspects of their work from one source.

The structure of the BAUER Group, with legally autonomous subsidiary companies of varying size, in Germany and abroad, having joined the Group gradually over time, initially meant that the various management systems developed independently. This progression was primarily based on customer requirements and the specific demands of the country concerned. Today, new technologies are proving a great aid in continuously unifying management systems. Our IT network now allows us to access a shared global Corporate Management Manual. We provide our employees with a database solution which permits quick access to information based on extensive search functions and structure elements. Directive documents can be applied to different areas according to need.

Wherever it makes sense to do so, unified Group-wide rules are defined as the ideal. However, rules applicable only to specific subsidiaries or subgroups can be stipulated where required. Such specific documentation is then also made available to all other users for information purposes.

These new technical capabilities are now being used to make management systems more transparent and uniform, thereby enabling synergies to be exploited. To that end, BAUER Resources GmbH has appointed a central management systems coordinator. His role is to assist subsidiaries within the segment in establishing and progressing their management systems, thereby also enhancing intra-Group links and unified Group-wide standards and procedures.

VIII. FOLLOW-UP REPORT

No matters of special note occurred after the end of the financial year.


BAUER GB 60

IX. RISK AND OPPORTUNITY REPORT

RISK REPORT

RISK MANAGEMENT SYSTEM

In our business operations, we are exposed to risks inextricably linked to our commercial activities. All commercial business activities entail a degree of risk.

Goals

The primary goal of our risk management system is to promote and support our business activities in a systematic manner, based on comprehensive risk awareness. For this purpose, we provide our decision-makers at all levels with unified methods in order to obtain transparency as to the risk situation faced by our businesses. This enables us to optimize the risk-to-revenue ratio and so also enhance the value of the business.

It is the function of risk management to identify, analyze and evaluate existing and expected risk all along the value creation chain, to counter any such risk by means aimed at optimizing returns, and continuously to monitor it. This involves assessing external risks potentially impacting on our businesses (market risks) as well as risks arising from the value creation activities of our businesses (performance risks).

Since the operations of our Construction, Equipment and Resources segments are of differing nature, our risk management system also applies different elements and analyzes different points in the individual processes of the operations concerned.

Risk culture

Based on intensive communications relating to risk in all corporate departments and units, such as at conferences and on training courses, as well as forming an integral part of practically all management meetings, we are working to continuously improve risk awareness and thus to create a highly developed risk culture.

Work instructions

Our risk management system is an integral element of our overall management systems structure, and serves as an instrument of value- and success-oriented corporate governance. Risk management is directly incorporated into relevant work instructions at many points in the order processing procedures of the individual operations. Specific single risks, such as in relation to bad debt, health and safety or compliance, can thus be controlled with no significant impairment of the efficiency of processes. Audits routinely verify the implementation of work instructions and management reviews continuously improve their efficacy.

Handling of project risks

Project risks are the principal performance risks, and are an integral element in the work of the Construction and Resources segments, wherever construction work or plant assembly is carried out on the customer's premises. Associated risks, such as in relation to the ground and resulting from the individual character of each individual project – including contract, timetable and damage risks – can thus accumulate detrimentally in specific cases in such a way that they may threaten the existence, if not of the Group as a whole, at least potentially of smaller subsidiary companies. Projects above a low threshold value are therefore systematically analyzed prior to submitting quotations in terms of their risks, evaluated and finally assigned to a risk class. They are then allocated cost surcharges according to their risk class and additionally subjected to a strict approval procedure.

The risk classes are assigned on the basis of the potential level of damage which may be suffered and additionally on the basis of tried and tested checklists according to a knock-out system in order to prevent misclassification to a risk class that is too low. The system has been developed over a number of years across the corporate units faced by the relevant project risks and expanded to apply to the relevant operations.

Risk aggregation

In a preliminary assessment, the relevant areas of risk are identified, structured in line with corporate processes and merged into a general risk inventory taking into account the principles of cause and effect. In a second stage, the risk areas are then subjected to a detailed analysis and evaluated and prioritized according to a pre-defined relevance scale.

<<< In 2012 the BAUER Maschinen Group once again hosted a large stand at the bauma China international construction machinery fair. The Shanghai event attracted over 180,000 visitors.

Relevant risks above a certain threshold value are quantified based on scenarios. Planning risks are estimated on the basis of empirical values, applying bandwidths.

To estimate equity, liquidity and insurance requirements, the risks are finally aggregated both for the single companies and for the Group as a whole using a specialist software program according to the Monte Carlo method.

Preventive and reactive risk management measures are stipulated in respect of the individual specific risks and their implementation is tracked. The process description covers the risk policy, the organizational structure and procedures, and the system of periodic reporting. The risk management process is an integral element of the planning process.

At the end of each financial year reports are submitted to the Management Board and Supervisory Board. Risk validation is carried out at least once a year following individual consultation with the respective risk managers. The system is continually being updated and continuously improved both qualitatively and structurally in terms of the integration of more Group companies.

Immediate notifications

We maintain a regularly updated overview of the risk situation within the Group based on regular meetings at which risk-related issues are routinely discussed and by means of risk monitoring. Nevertheless, it may quite possibly occur that unexpected or unforeseen events suddenly pose a new, acute risk to the Group or parts of it. Moreover, an already identified risk classed as being of minor relevance may suddenly become a highly relevant and threatening risk. In such a situation, it must be ensured that the risk in question is immediately and fully covered by the Group's risk management system. To meet that requirement, we have set up our system of risk reporting in a flexible way so that, in urgent cases, immediate notifications can be issued to the competent decision-makers, bypassing formal reporting structures and cycles.

These immediate notifications enable risk managers and subgroup or company boards – and where appropriate the Management Board of the BAUER Group – to be immediately informed by means of non-routine reporting procedures of new risks above and beyond pre-defined notification thresholds, so that action can be taken rapidly in response to the specific case at hand.

Monitoring

The individual elements of our risk management system are documented and monitored through our Controlling departments. All integral elements of our business processes and corporate decision-making are embedded in our Group-wide planning and controlling processes. Moreover, Group-wide planning, control and reporting processes are subject to continual review in terms of their efficacy and efficiency. Processes which are subject to legal requirements, stipulated centrally by the Management Board or senior management of our Group companies, or designated as requiring mandatory approval, are bindingly documented in our Corporate Management Manual and are available to our employees in regularly updated form on the Intranet.

We have designated risk managers whose role it is to expand the substantive content of our risk management system and, in conjunction with the management of the individual Group companies, to make it accessible to everyone within the organization as part of our risk culture. This monitoring approach means they also help to ensure the conformance of processes and the functionality of the internal control system. Our risk early-warning system is also subjected to routine review by our auditors in respect of the measures to be taken by the Management Board in accordance with section 91, subsection 2 of the German Stock Corporation Act (AktG). Their suggestions are incorporated in order to improve the system.

STRATEGIC RISKS

Strategy development and implementation

Corporate strategies have been defined and implemented for the Group and for its operating subgroups in the course of extensive strategy development processes and with the intensive involvement of the management. The goals for the various strategy areas and the implementation of the resultant measures are reviewed at regular intervals, the results are communicated accordingly and the measures adjusted where appropriate.

Based on the thorough process of strategy development, the intensive involvement of the management and the regular system of review – not least also with regard to potential short-term changes in the operating environment – we regard the risks in this area as being low.

Segmental structure

We counter the strategic risks arising from the segmental structure of the business by dividing it into separate Construction, Equipment and Resources segments. The business cycle of the Resources segment, in particular, is much less dependent on the Construction and Equipment segments. Moreover, the Equipment segment's move into deep drilling and the manufacture of machinery for mining applications will also further reduce its dependence on the construction sector. Thanks to the international organization of the Group, currently operating more than 110 individual companies in some 70 countries around the world, our segmental structure places us in a sound position.

Compliance risks

For the BAUER Group, acting responsibly and in keeping with the law is a fundamental principle underpinning our commercial success, the quality of our products and services and our sustainable ongoing development. We place the utmost value in upholding social conventions and in complying with applicable laws and business standards. For us, compliance means observing all applicable laws, rules and regulations. Legally compliant, ethical and socially sustainable action is the cornerstone of our values management system. As far back as 1996, BAUER Spezialtiefbau GmbH was a founding member of the German Association for Ethics Management in the Construction Industry. Today, we have a representative on the board of the construction industry compliance organization known as "EMB-Wertemanagement Bau", which means we are actively involved in devising a values-driven compliance management system which will also be implemented within our Group. This will be applied to ensure staff are aware of our fundamental values right from the recruitment stage. Special training courses will enable them to extend their knowledge, and in a final test they will have the opportunity to demonstrate that knowledge in a compliance software program.

For political reasons or as part of the fight against terrorism, a number of countries in Europe and the USA have imposed embargoes prohibiting trading with specific companies or persons in certain countries. A special software program ensures that we do not do business with any companies cited on an EU or US sanctions list.

In summary, we are of the opinion that our existing values management system provides us with an efficient means of minimizing our compliance risk so as to pose no fundamental risk to our Group.

MARKET-RELATED RISKS

Macro-economic risks

The key risks to which the global economy, and also the BAUER Group, are currently exposed can be seen as specifically stemming from the financial crisis. The level of sovereign debt of the USA and the budget crises in some countries in the EU are impacting on the general economic climate. Political unrest in the Middle East is additionally hampering the order situation. This entails both exchange rate risks and demand-related risks in the markets concerned.

By contrast, the rapid economic recovery in the Far East is making the German economy, including the BAUER Group, structurally dependent on that region.

However, based on its international organization and its chosen segmental structure – expanded since 2007 by the addition of the Resources segment – and thanks to its healthy equity ratio, the Group is well equipped to handle any additional impact of the sustained crisis.

The Group Management Board and the directors of the three operating segments routinely consider extrapolations based on specific scenarios of the impact of any given risks on the company in question and on the Group as a whole. Any necessary and relevant countermeasures are derived from these analyses and implemented in full.

Selling market risks

It has always been one of our key strategic principles to counter risks on our selling markets by means of a multi-segment organization. Whereas our machinery manufacturing business is still heavily influenced – if at a delay – by economic trends in the construction sector, the establishment of the Resources segment has enabled us to largely isolate part of our business from the effects of construction cycles. Our strategy of spreading business in each segment across a large number of markets worldwide further reduces the overall risk, so that no serious risk is posed to the Group as a whole in the event of any weakening or collapse of individual regional markets. Moreover, in the event of a regional market downturn our network strategy in the Construction segment enables us to relocate our capacities rapidly to another country and continue operations at the new location. Our Resources segment has also already expanded on a broad international scale.

Procurement risks

Even if the consequences of the economic crisis have not yet been overcome on the markets of Europe and the USA, the procurement situation in some specific segments of the machinery manufacturing market has been somewhat heightened once again due to high demand from the Far East. Thanks to our long-standing and successful policy in our machinery manufacturing operations of planning well ahead to safeguard supplies of components which may be subject to bottlenecks, and based on additional measures we have taken and on our ability to have time-critical components made within the Group in the event of a bottleneck, the risks in terms of procurement currently remain classed as low.

Political risks

In early 2011, beginning in Tunisia, there were signs that the young and better educated classes in a number of Arab countries – including Egypt and Yemen for example – were no longer willing to tolerate the undemocratic and more or less totalitarian regimes ruling their respective nations. It is currently difficult to predict how long it will take for stability to return to the countries in question and for investor confidence to be restored.

The international nature of the BAUER Group's operations increases the likelihood that political change in specific countries may have a substantial impact on the economic development of the local subsidiaries in these countries. In extreme cases, this may even threaten the existence of the subsidiaries concerned. Owing to the broad spread of the Group's operations, and its restraint in investing in potentially unstable countries, the political risks in individual countries pose little risk to the Group as a whole however.

FINANCIAL RISKS

Liquidity risks

The Group's liquidity is safeguarded based on available cash in hand and bank credit balances, and above all by adequate and long-term lines of credit. The finance base created has provided the Group's current business and its medium-term growth with the necessary long-term security. Liquidity is monitored and managed centrally within the Group by means of an intensive controlling system. As a result, any liquidity risks are detected at an early stage, enabling them to be countered by suitable measures.

Interest rate risks

We reduce risks arising from interest rate fluctuations by entering into transactions with long interest rate fixes wherever possible. In order to minimize interest rate fluctuations and to utilize periods of low interest rates for as long as possible, credit lines have been converted to largely long-term financing instruments. Interest rate derivatives are also deployed. Consequently, the resultant risk can be classed as low.

Foreign exchange risks

Where possible and available, we counter foreign exchange risks by financing our international holdings in their respective local currency. If this is not possible, we enter into foreign exchange forward contracts and options at parent company level.

Risks of payment default

To limit our exposure to risk of payment default, in Germany we have at our disposal a tried and tested system comprising credit insurance, payment default guarantees, advance payments and – in special cases – also guarantees as security in respect of contracted works. The relevant risks are identified for each project, the applicable security instruments are stipulated, and their implementation is monitored based on the two-person rule involving representatives of both technical and commercial staff.

As the security instruments applicable to Germany are not always available in other countries, our potential customers outside of Germany are selected according to stringent creditworthiness criteria and the shortest possible payment deadlines are agreed. In the Equipment segment, our contracts stipulate retention of title and provision of letters of credit which safeguard payment on delivery of the equipment.

By these measures we are able to keep unavoidable payment defaults at a stable low level. The risks arising from price changes and payment default, liquidity risks and risks arising from cash flow fluctuations to which our business is exposed are set forth in our reporting.

Covenant risks

Several long-term loans are covered by covenants linked to pre-determined financial variables. These are primarily the ratio of net debt to EBITDA, the ratio of EBITDA to net interest coverage, and the equity ratio. The lenders have a right of termination if at least one of the agreed threshold figures is exceeded. As a result of the macro-economic risks set forth, and the resultant changes to a number of income statement items, some variable indicators have worsened. Based on forward-thinking planning and sound financial controlling, we are making every effort to keep within the agreed limits, so as to prevent covenant risk from being realized and the associated consequences from occurring.

RISKS RELATING TO OUR BUSINESS OPERATIONS

Contract risks

Our Construction and Resources segments primarily provide construction, drilling and environmental services. The underlying projects are practically always prototypes executed in each case on the basis of customized contracts. The resultant risks are subject to stringent management routines.

For example, in relation to practically all projects above a very low threshold value the risks are systematically analyzed prior to signing of contracts, documented and classified according to their potential for damage. The individual risk classes in turn form the basis for cost surcharges and the further approval procedures.

We have long-standing relationships with law firms in Germany and internationally who assist in providing advice and training for our staff engaged in framing contracts as well as supporting and advising us in contract negotiations relating to major projects. In the Equipment segment, contract risks can be minimized by means of standardized contracts and by stipulating retention of title.

Quality risks

Great attention is paid to the quality of work done in all areas of the business. This is safeguarded by employing well-trained staff and by means of a long-established quality management system which has been in place for many years. All the major companies of the BAUER Group are certified, and are audited on a regular basis.

A highly developed quality awareness, backed by long tried and tested quality assurance procedures, enables us to learn systematically from any quality non-conformance in our various business units, thereby implementing a process of continuous improvement.

Insurance loss risks

Insurable risks, including third-party liability, fire or machinery breakdown, are covered by means of appropriate insurance policies. Furthermore, suitable precautions and organizational measures have been implemented to deal with all conceivable eventualities, so as to avoid or at least minimize the numbers of such loss events. Any loss which is incurred is systematically analyzed as part of the quality management system and utilized to further optimize systems. Nevertheless, the possibility of product liability claims can never be entirely ruled out. The BAUER Group management counters this risk with the utmost prudence.

Personnel risks

We monitor personnel risks very attentively. These monitoring activities focus in particular on the qualification levels of personnel, their age structures and motivation. Our procedures for providing assistance and support to our employees, from the selection and recruitment stage, through induction, qualification and training, and incorporating ongoing support in personal development, have been continuously improved. Fluctuation rates have been very low for many years, and represent an affirmation of our personnel policy.

Moreover, our stock market listing, size and reputation on the market also make us externally well respected as an attractive employer on a national and international scale.

Job rotation within the Group ensures an intensive system of networking among our staff, so that bottlenecks and delays can be smoothed out across borders and between individual Group companies. Consequently, we judge the risks to which we are exposed in the personnel sector to be relatively low.

IT risks

The Group's operational and strategic management is largely dependent on functional IT systems. Security to prevent data loss or unauthorized access, as well as to safeguard system and data availability, is ensured by means of state-of-the-art hardware and software and building services technology.

A consistently applied emergency plan counters the risk of failure due to mechanical effects. The vulnerability of our systems was assessed in the past by a large-scale penetration test. The results were overwhelmingly positive. Despite the most stringent security measures, however, a certain residual risk will always remain, and the Management Board is aware of that risk.

Research and development risks

As a technology leader, particularly in our Equipment segment, we counter any possible weakening of our market position by means of continuous research and development. Although the booming markets in the Far East and the resultant new competitors are sharpening the innovative pressures, we have to date succeeded in maintaining the necessary edge as a technology leader.

Nevertheless, we are well aware that these pressures will continue to grow. That is one reason why we are also increasingly utilizing low-cost local development resources in India and China to provide a rapid, cost-effective boost to our rate of innovation. Thanks to our great innovative strength, we regard the risks in relation to research and development as being currently manageable.

Risks arising from technical failure and warranted technical characteristics

Technical failures and technical errors such as miscalculation of statics can result in significant delays, both on the company's own construction projects and on our customers' projects. Such risks are part and parcel of the BAUER Group's business. A further risk is posed by the warranting of technical characteristics which cannot be fulfilled. This relates to newly developed machinery as well as to construction engineering products, which have to be tested in order to assure compliance with high demands in terms of verticality, permeability or stability. The management is aware of these risks, and has taken appropriate precautions to minimize the impact of such risks if they should occur.

Project risks

Project risks are the principal performance risks in the Construction and Resources segments, especially as each project has its own individual characteristics. Although we work on the assumption that our projects are costed with due diligence – at present especially in view of the scale of projects in Hong Kong and Jordan – the possibility cannot be definitively ruled out that, on finally billing the customer, lower earnings will ultimately be generated.

Accounting-related system of internal controls and risk management

Consolidated accounting risks comprise risks in respect of accounting, valuation and recognition. To counter them, elements of the risk management system have been integrated into the consolidated financial reporting process.

The accounting functions for the major subsidiaries in Germany are mainly managed centrally at Group headquarters in Schrobenhausen. This permits specialization in certain kinds of business operations, such as consortia, and means that transactions are all treated uniformly.

The accounting functions for the other subsidiaries – practically all international subsidiary companies outside of Germany and the main German subsidiaries – are usually managed by decentralized in-house commercial departments. In this, our international subsidiaries are assisted by external accountants and auditors as well as by our investment controllers, so as to ensure properly qualified financial reporting in accordance with local laws or conforming to International Financial Reporting Standards (IFRS). The financial statements of the major Group companies are additionally audited in accordance with IFRS. Audits are conducted in accordance with the International Standards on Auditing (ISA).

The procedures for monthly Group reporting, preparation of quarterly and annual financial statements and consolidation of the individual financial statements in accordance with IFRS are implemented using a Group-wide accounting guideline on the basis of a unified schedule of accounts by the subsidiaries, and by the Group Accounting function for the consolidated financial statements. Appropriate adjustments are made to adapt local accounts to IFRS.

At the major Group companies the success of each individual department is mapped as a central management instrument by means of an expense distribution sheet. This reveals any non-conformance to annual budgets. At project level, a monthly reconciliation is carried out to cross-check the actual figures against the cost accounting and site management budgets. Our judgement and experience tells us that self-monitoring allied to mutual monitoring are the effective elements of our system of internal controls.

The individual Group companies and departments are monitored on a monthly basis by the central commercial departments in the respective segments, where reports are consolidated and analyzed, thereby further reducing the accounting, valuation and reporting risks. These procedures routinely review accounting processes and optimize them as required.

At Group level, the figures from the consolidated companies are initially checked by the investment controllers and are then reviewed by Group Accounting according to the two-person rule and corrected as necessary in consultation with the subsidiaries.

The consolidated figures are in turn checked on a monthly basis against the figures from the annual Group-wide planning process and analyzed on the basis of Group key performance indicators (KPIs). Any necessary correction of non-conformance to plan is implemented promptly by the managers of the units concerned.

The major Group company annual financial statements and the year-end consolidated financial statements are audited by auditors in accordance with the applicable legal requirements and standards, and are reviewed by the Supervisory Boards established in the various business units as part of their duty of supervision. The key figures and related information reports are submitted to the Management Board and the Supervisory Board of BAUER AG from the central accounting function on a monthly basis.

The IT systems employed in these procedures are protected by appropriate security systems against unauthorized access and data loss. Based on the systematic multi-segment structuring of the Group's accounting process, with its redundant control instances, we are able to classify the resultant risks as low.

OVERALL RISK

Despite the marked effects of the economic crisis, particularly on our Equipment segment, no single or aggregated risks were discernible in the reporting period which might cause lasting damage to the BAUER Group. The management sees no change in the overall risk situation, among other factors also in view of the business prospects for the current financial year.


VIBROPILE
CC29
DIESEL

OPPORTUNITY REPORT

OPPORTUNITY MANAGEMENT

We regard opportunity management, firstly, as part of our system of risk management. That is to say, opportunities are identified and managed at the same time as risks in the course of the risk management procedure, with the aim of promoting shifts to the positive. However, we also regard opportunity management as the promotion of a continuous, and where appropriate systematic, search for new opportunities, changes or trends in our operating environment as they arise.

Goals

The primary aim of our opportunity management system is to promote and support our business activities in a systematic manner, based on comprehensive awareness of opportunities arising. We motivate our decision-makers to do just that, providing them as far as possible with the methods necessary to be able to identify and evaluate opportunities in their respective market or working environments at the earliest possible stage. This in turn enables us to optimize the opportunity-cost ratio and so enhance the value of the business.

Opportunity culture

At all levels of communication relating to risk, such as at conferences and on training courses, as well as in management meetings, we stress the link between opportunity and risk and seek to convey the search for opportunities as being worthwhile. We also seek to establish and maintain within the Group a culture of independent responsibility and orientation to goals, linked to the principles of self-managed organization, as a key prerequisite for a highly developed opportunity culture.

Development and innovation

Development and innovation are systematically integrated into many standard processes within the Group. Their efficiency is monitored as part of the quality management system and by way of the corporate controlling function. It is also ensured that customers' wishes are understood as being opportunities, and are translated into innovations for our products and services in a timely manner. The capacities of our engineering offices are systematically being strengthened by resources from countries with high levels of education allied to low labour costs, such as India or China.

Suggestion scheme

Innovation is possible at practically every point within our business processes. Our employees are best placed to know where improvements are achievable in their particular sphere of work. In order to collate and make use of the suggestions which our employees submit, we have devised a system for the unbureaucratic recording, evaluation, implementation and rewarding of suggested improvements, which has been in turn rewarded by an increasing number of good ideas.

Internal Auditing

The purpose of the Internal Auditing function is to examine existing structures, processes and procedures to ensure that they are fit for purpose and cost-effective, while at the same time assuring compliance with applicable regulations, standards and laws. It also verifies that the specific goals of the audited unit and the wider goals of the management organization are being attained.

As a cross-process element of our system of internal controls, the Internal Auditing function operates autonomously and reports directly to the Management Board. Its role covers routine audits to provide annual assessment of the internal control system as well as special audits necessitated by circumstances.

We regard the establishment of the Internal Auditing function as a major opportunity to boost the continuous improvement of our processes. We will use the findings obtained by Internal Auditing to make processes more efficient and effective and so make our organization fit to face the competitive challenges of the future.

STRATEGIC OPPORTUNITIES

Over the years, our Group has repeatedly worked on single projects in marginal markets. This has led to the estab-

<<< Australian equipment customer Vibropile (Aust) Pty Ltd. deployed an RG19 T unit from RTG Rammtechnik GmbH to create the pit retaining structure for a large residential and commercial building in Perth.

lishment of independently operating business units. One example of this is in our activities relating to environmental technology which, having begun over 20 years ago, have grown to become an international business area forming part of our Resources segment.

A similar development grew out of the first deployment of specialist foundation engineering equipment for diamond exploration, which has since become the Exploration and Mining Services area within the Resources segment.

Together with the 2007 acquisition of the GWE Group, specializing in the development, manufacture and sale of high-grade well engineering products and in close-to-the-surface geothermal energy extraction, we were able to merge the three businesses to create the Resources segment. This core business unit, established in 2007, is focused on areas relating to water, energy, mineral resources and the environment – some of the major issues of the 21st century.

Rapid population growth, surging demand for energy and mineral resources and strong economic growth in the so-called BRICS countries are factors delivering further increasing growth potential for this segment. Moreover, the Resources segment is much less dependent on the economic cycles of our traditional Construction and Equipment segments.

Further strategic opportunities are also arising in the development and manufacture of deep drilling rigs. This is an area in which we have been operating for some time, and in which we have been able to build up considerable know-how. We have made successful progress in developing and building further deep drilling rig models to complete our range. The first rigs have already been sold.

This not only offers additional strategic opportunities for the Group as a whole, but also represents a major step forward in terms of balancing out risk. In order to bring about a rapid internationalization of the Resources segment, we are utilizing the experience of our long-standing organizational units in the other two segments.

MARKET OPPORTUNITIES

Thanks to the rapid growth being seen in the BRICS states and the expected growth in the use of new technologies (such as fracking) to extract oil and gas reserves, it is becoming increasingly more worthwhile to explore even difficult-to-access sources which demand intensive drilling operations. Demand for deep drilling and for deep drilling rigs will thus continue to rise.

In addition, huge areas across Australia, Africa and Indonesia are being staked out as claims for the extraction of coal-gas. Their seriousness in terms of mass extraction is being impressively underscored by the planning and construction of enormous gas liquefaction plants.

Further market opportunities are also arising in deep drilling services. Based on our acquisition in recent years of majority shareholdings in FORALITH Holding AG in Switzerland and Site Group for Services and Well Drilling Ltd. Co. in Jordan, and thanks to our in-house drilling rig production, we are capable of carrying out exploration and production drilling for water, oil and gas, as well as for coal-gas and geothermal energy.

The nuclear accident in Fukushima sparked a debate on energy production which is bringing about far-reaching changes to energy policy. Alternatives to nuclear power will have to be found in future. The BAUER Group has been contributing to this search by developing an underwater drilling rig, operated from on-board a ship, to sink foundations for tidal or wind turbines. An initial deployment off the coast of Scotland has been completed with great success. This opens up an entirely new product area, with great future prospects, for both our Construction and Equipment segments.

By establishing new subsidiaries in the Resources segment, our environmental business has succeeded in moving out of its traditional, and limited, sphere of pollution remediation into industrial process water treatment, and thus into the oil and gas industry. The vast quantities of industrial process waters occurring in oil production, against a background of ever more stringent environmental standards, offer additional outstanding market opportunities for our environmental business.

The resurgent demand for construction services – including in the USA, where dam remediation works are in particular demand – will deliver a boost to both our machinery manufacturing and construction businesses. The latter segment is currently profiting especially from healthy demand in the Far East.

PROJECT OPPORTUNITIES

Regardless of national and global market cycles, projects often arise in otherwise weak markets which we as a Group are extremely well equipped to handle thanks to the mix of our products and services portfolio. Examples of this are processes for retrofitting of core seals in earthwork dams, or for the long-term, environmentally compatible treatment and disposal of industrial process water from the oil industry.

The resultant projects in some cases entail very large lot units. When contracted, we are able to manage them successfully by converging our global resources and based on our many years of experience in handling large-scale projects.

IT OPPORTUNITIES

Although information technology has today become an integral part of our business processes, its possibilities have not yet been fully exhausted. Improvements in hardware and software, as well as connectivity among all our subsidiaries via the Internet, offer further good potential for optimization.

The increasing standardization and interlinking of business processes is continually opening up new areas of potential synergies. Further interesting potential for improving efficiency and cutting costs is offered by global cross-matching of inventories, enabling stock levels to be minimized; global standardization of hardware and software, resulting in reduced cost; and the facility to deploy IT service staff globally, in different time zones.

OVERALL OPPORTUNITIES

We are seeing a steady improvement in our opportunities on global markets as our recently created Resources segment becomes increasingly well established. This is also being boosted by new, innovative products. Our strategy of systematically interlinking our mainly small and medium-sized globally operating units to create efficient networks is enabling us more and more effectively to generate speed and cost benefits from the associated economies of scale. All in all, we regard the opportunities for our Group's worldwide business as having increased in the reporting period.


BAUER BG 40
BAUER
BAUER BG 40
BAUER

X. OUTLOOK

International markets remain subject to turbulence and are undergoing a period of major change. This entails a wide range of both negative and positive consequences for our business as for others. If we can manage the difficulties with skill and diligence, and utilize the opportunities which arise to develop the business, such turbulent times can also provide the basis for healthy future growth. New innovations can deliver lots of positive impetus to drive the business forward.

We have been repeatedly surprised by changes in recent years, with both positive and negative effects on our results. Market turbulence will cause that trend to persist through the years ahead. Many businesses in a wide variety of different sectors are having to deal with these rapid changes.

There are often some quite astounding developments in these times. In recent years the general view was that the development of Dubai would be lastingly affected by the financial crisis, and that it would be almost impossible to sell real estate there. That theory was disproved in January 2013 when a major new-build project of an real estate developer was sold within just a few hours. New properties are also being built again on Dubai's world-famous artificial islands. The wealthy population of the Arabian peninsula is once again seeking ways to invest capital. Since some areas of the Middle East are in conflict, and investing in far-off parts of the world is no longer attractive, people's dreams of owning their own holiday home have focused back on Dubai.

Other astounding developments are the lower growth of the Brazilian economy and the major infrastructure boom in Malaysia. In Indonesia, too, there are signs that the construction sector is on the up, as this big country with growing economic strength has enormous backlogged demand.

All of this illustrates that construction markets are subject to great change and widely varying expectations. Businesses which have a very broad international spread, with operations in many different regions, will be in a position to exploit the wide-ranging opportunities that arise and, at least to some extent, avoid the risks. This is the strategy of the BAUER Group, which we are pursuing concertedly.

So all in all, despite all the troubles to be faced, we believe there will be sufficient opportunities in future for us to attain our still ambitious growth objectives. There will be some fluctuation along the way, but overall we are looking to improve our performance.

In order to continuously create new opportunities, we will also need to take some risks in developing new products. In doing so, we cannot be certain whether such developments will bring success rapidly, or at a later date, or indeed will not be successful at all. The areas for potential new products and services in our field of work are currently many and varied. Increasingly complex infrastructure projects demand construction engineering techniques capable of executing high-quality work on a larger scale and at greater depths. This requires the production of new, larger machinery, and ever more accurate measuring techniques must be developed in order to verify quality of execution.

In Germany, the reversal of energy policy will be play a major role for the construction sector over the coming years. Old power stations will have to be updated, and new ones built. In particular, the wide-ranging possibilities for generating renewable energy from wind power, biogas or geothermal plants will open up a host of new project opportunities for the construction industry. Storage systems will also have to be constructed, and power line networks greatly extended. A wealth of opportunities will be created for our businesses, too, as many such facilities will need extensive foundations.

All in all, we expect global trends over the coming years to be highly variable, though generally delivering a period of steady growth for the construction industry. As in past years, the specialist foundation engineering sector will see even stronger growth than the industry in general, as the new buildings and infrastructure projects needed will have to be installed in increasingly demanding environments, such as in confined city centre locations.

For our Equipment segment, Chinese manufacturers are presenting increasingly strong competition. They have already attained dominance in standard pile drilling rigs

<<< In Hanoi, Bauer Vietnam installed 250 bored piles down to a depth of 38 m, with as much as 6 m rock socketing, for No Bai Airport.

thanks to sales on their gigantic home market. Set against the advantages of those companies, with their lower costs and government support, we are able to compete based on our long-standing international experience and our networks. And incidentally: those cost advantages will not last, because Chinese workers' pay levels will doubtless rise in future too. We German manufacturers will need to retain our customer base by demonstrating outstanding quality and delivering top-class service, as we have done in the past. With great efforts, we will be able to do so, thanks to our high-tech solutions for handling particularly tough site conditions.

In terms of international markets, we have already established a very good foundation for success in 2013. We have very healthy levels of orders in hand in the Far East, the USA and the Arab countries. The short delivery lead times required by customers demand great efforts on the part of our equipment sales team to acquire orders. We nevertheless expect to see further stability on markets, as in recent months, with a slight upward trend.

Alongside the generally positive market trends, we are also benefiting from the strength gained by our extensive reorganization work in past years. In all areas of our Group we have strong, stable management teams, accustomed to handling the uncertainties and turbulence of our business environment. In terms of our organization, we have been focused even more closely in recent years on localizing responsibility as directly as possible within the various markets. In the development field, especially, we have defined machinery groups which can be targeted as necessary by enhanced innovative efforts.

We have further expanded our IT infrastructure on a global scale, and software has been unified. Up-to-date information is now available at all times, aiding more effective management control. State-of-the-art communications systems, including videoconferencing systems and the interlinking of all communications processes, have in recent years helped us to make decisions faster, based on broader contributions from our management and technical staff.

During the crisis, we were also sometimes a little unsure whether building up our machinery manufacturing capacities through the boom years had been the right thing to do. Considering today's market demands, however, we are entirely convinced that it was. We are now only in a position to drive further growth thanks to the expansion of our plant facilities. We are today able to concentrate fully on optimizing productivity. The increased capacity utilization would have a valuable leverage effect in terms of costs.

We see no need to change our strategic objectives at present. The strategy comprising the Construction, Equipment and Resources segments will dictate the direction of the Group over the coming years. In the Resources segment, we will be making concerted efforts to further broaden the international scale of the business and to increase the segment's share of total revenues. No major acquisitions are currently planned, as we are looking to strengthen our capital base again following a tough few years.

All in all, we are looking to the future with confidence. Our Construction segment is well supplied with orders in most regions of the world, enabling us to plan for an improvement in both revenues and earnings. We expect our Equipment segment likewise to achieve growth, even with only a small increase in demand, thanks to our new products. Orders in hand in the Resources segment are very healthy. We do not expect revenues to rise over the previous year, as a number of large projects are coming to an end. Earnings will improve slightly, though the final billing of a problematic project in Jordan will continue to be a burden in 2013.

Based on the information available to us at the time of writing this report, we forecast that **total Group revenues** for the 2013 financial year will excied EUR 1.5 billion. We forecast **profit after tax** of above EUR 30 million. Owing to the still existent risks posed by volatile markets and arising from some large projects, we do not expect overall Group earnings to grow substantially. In accounting terms, this will mean **EBIT** of around EUR 85 million.

We expect to see fewer disturbances than last year, enabling us to focus much more closely on growing our business. We forecast that the first quarter will show a substantial loss, though one which we will turn around over the subsequent quarters. The trend over the full year will thus be in line with patterns in our business seen in earlier times. The reason for this is that fewer machines can be invoiced at the start of the year, because customers do not start buying equipment until the construction season gets underway. In the Construction segment, the winter period has a heavy impact on a number of our markets.

Our balance sheet ratios have changed markedly over recent years. This is illustrated most clearly by the increase in working capital, which also resulted in a substantial increase in net debt. This trend was largely attributable to the normalization of our machinery business, in which inventories increased significantly due to the return of shorter lead times. The numbers of machines for which we provided up-front financing on behalf of our customers also increased in response to their needs. No significant change to the balance sheet structure is to be expected in the coming year, as our business model is tied to high levels of up-front financing. With stronger demand for machinery, however, the ratios will improve again. We will make great efforts to maintain our equity ratio at around 33 percent, so as to safeguard a sound balance sheet structure. A change to the accounting rules relating to provisions for defined benefit plans will lead to a decrease in shareholders' equity of approximately EUR 20 to 25 million in the coming year, as a result of which the equity ratio will be reduced by just over one percentage point.

We expect the Group to enjoy positive development through 2013 and 2014. We are planning for growth of between 5 and 10 percent, in line with our long-term plans. We expect earnings to progress similarly. The Group has a sufficiently broad base also to balance out further expected fluctuations on markets.

The Management Board will recommend to the Supervisory Board that it propose to the Annual General Meeting the payment of a dividend of EUR 0.30 per share, down from last year's EUR 0.50 per share. This will involve a total dividend payment of EUR 5.1 million, corresponding to a dividend ratio of approximately 21 percent referred to the net profit for the period less minority interests. In a year which returned a significantly lower profit than originally planned in the face of numerous disturbances, we regard a reduction in the dividend pay-out to shareholders as unavoidable. Since the current economic situation has a major influence on the financing of the business, this is also a prudent measure with a view to safeguarding the BAUER Group's stability. Our aim in this is to fulfil the interests of our shareholders, as well as those of the business, in a responsible manner.

We do not see any existential risk or relevant risk to future progress in our trading environment. The global economy remains marked by great change, however, which may also have a negative impact on our situation again. We should point out that future forecasts are based on assumptions and estimates of the company management, which may mean that actual performance differs from that forecast.

Schrobenhausen, March 28, 2013
BAUER Aktiengesellschaft

Prof. Dipl.-Kfm. Thomas Bauer
Chairman of the Management Board

Dipl.-Betriebswirt (FH) Hartmut Beutler

Dipl.-Ing. Heinz Kaltenecker

The Bauer Share

European and Chinese economies in decline

For the first time since the start of the financial and debt crisis in 2009, real economic output in Europe was negative, contracting by 0.3 percent. The biggest decline was seen in Greece, where GDP contracted by 6.4 percent, though other countries including Portugal and Italy also saw a decline.

The struggle against the debt crisis in Europe and measures to prevent sovereign state and bank insolvencies overshadowed developments in 2012. In the early part of the year the funding of the European Stability Mechanism (ESM) was substantially increased. In addition, Greece received its second major bail-out totalling over EUR 130 billion. Then in June, Spain was also forced to seek financial assistance. The European Central Bank continued to pursue a low interest rate policy, and in July cut its base rate to 0.75 percent – a historic new low.

China was another global economic powerhouse which saw its growth hampered in 2012. The growth rate of 7.8 percent was its lowest for 13 years. Chinese exports were particularly impacted by the crises in Europe and the USA.

By contrast, the German economy held up very well. Its growth rate of 0.7 percent was the best of any major European economy. The German labour market was likewise stable. The Federal Government and economic research institutes forecast growth of between 0.3 and 0.8 percent in 2013.

Germany's positive trend was also reflected in the performance of its stock markets. The SDAX rose by around 17 percent in 2012, while the DAX even saw a 25 percent increase. The EURO STOXX 50 index likewise improved, by some 14 percent, from 2,316 to 2,636 points.

Bauer share price decreased

The Bauer share had a good start to 2012. From its 2011 closing price of EUR 21.10, it enjoyed a brief period of growth, reaching its high for the year of EUR 26.50 on February 21st.

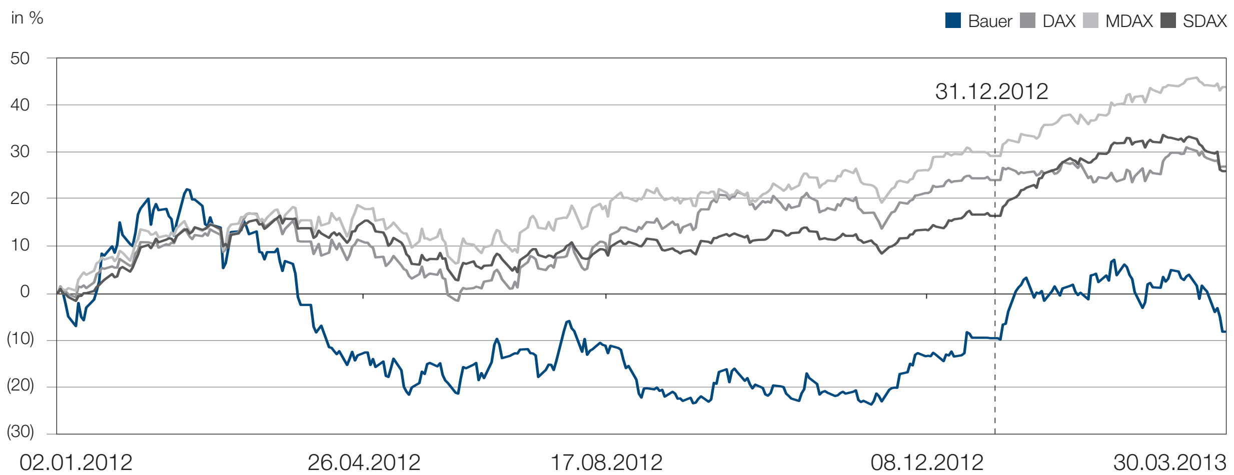
It subsequently fell back, however, falling by more than the slight declines recorded by the DAX and SDAX benchmarks. The company's weaker than expected first quarter performance additionally depressed the share price, which by mid-May had fallen to EUR 16.60.

It recovered somewhat over the following weeks, and in mid-July briefly topped the EUR 20 mark.

But it subsequently lost ground yet again. A further factor in the declining share price was the adjusted profit forecast accompanying the half-year interim report, necessitated by difficult market conditions in the machinery manufacturing sector and by problems encountered on a number of major projects. By early September the share price had fallen back to EUR 16.19.

Over the next few months the share price fluctuated between EUR 16 and 18. It reached its low for the year of EUR 16.13 in mid-November.

Development of the Bauer share price in 2012



Following the publication of the third quarter interim report the share price recovered through to the year-end, closing at EUR 19.32. Over the full year the Bauer share price fell by approximately 10 percent, whereas the two benchmark indices, the DAX and SDAX, made significant gains of 25 and 17 percent respectively.

Dialogue with stakeholders
At the 2012 year-end, 11 analysts published research reports on BAUER AG. This was two fewer than in the previous year, primarily due to bank restructuring measures. Three of the analysts gave positive recommendations, five rated the share as neutral, and three took a negative view. The average target share price quoted was EUR 18.37.

We continued to pursue a policy of regular, proactive communication over the past year, as we have done ever since the company was listed. The Management Board and representatives of Investor Relations routinely attend capital market conferences and host roadshows in key financial centres such as Frankfurt, London, Zurich and Paris.

Our shareholders remain as keen as ever to attend our Annual General Meeting, held at the company's headquarters in Schrobenhausen. At the 2012 event, over 600 shareholders and guests were in attendance to hear the latest report by Chairman of the Management Board Professor Thomas Bauer on current trends and prospects.

Our overriding aim is to conduct open, honest dialogue with all our stakeholders. This is especially important when times are tough. We were therefore very pleased to take second place among SDAX-quoted companies in the 2012 German IR Awards.

Share information

ISIN / WKN	DE0005168108 / 516810
Trading symbol	B5A
Trading segment	Frankfurt, Prime Standard
Share indices	SDAX, CDAX, GEX, DAXPlus Family Classic All Share, Prime All Share
Share category	No-nominal-value individual bearer shares
Share capital	EUR 73,001,420.45
Number of shares	17,131,000
Shareholder structure	Bauer family 48.19 %, free float 51.81 %

Dividend policy
Since the company's stock market listing, we have pursued a policy of ensuring that our shareholders enjoy an appropriate share in the company's profits. In difficult times especially, we are focused closely on safeguarding our equity base. Our dividend policy is consequently oriented primarily to the company's performance.

After a difficult year, in which we again saw our after-tax profit decline, we consider it prudent to reduce the 2012 dividend payment accordingly.

The Management Board and Supervisory Board will propose to the Annual General Meeting on June 27, 2013 that a dividend of EUR 0.30 per share be paid.

More information:
http://www.bauer.de/en/investor_relations

KEY FIGURES

KEY FIGURES	2009	2010	2011	2012
Earnings per share (in EUR)	2.28	2.04	1.86	1,42
Dividend per share (in EUR)	0.60	0.60	0.50	0,30 *
Dividend total (in EUR '000)	10,279	10,279	8,566	5.139 *
Year closing price (in EUR)	29.25	35.30	21.10	19.32
Year high (in EUR)	34.45	36.81	38.49	26.50
Year low (in EUR)	20.64	27.38	16.04	16.13
Market capitalization at year-end (in EUR '000)	501,082	604,724	361,464	330,971
Average monthly trading volume (number of shares)	86,400	46,084	65,885	48,584

* Proposed; subject to the consent of the Annual General Meeting to be held on June 27, 2013

Corporate Governance Report

AND DECLARATION ON CORPORATE GOVERNANCE

The Management Board, also on behalf of the Supervisory Board, submits the following report on the company's Corporate Governance in accordance with Article 3.10 of the German Corporate Governance Code. The Corporate Governance Report also includes the Declaration on Corporate Governance pursuant to Article 289a of the German Commercial Code (HGB), which forms part of the management report for the 2012 financial year.

Declaration of Conformity 2012

In the year under review, based on preliminary work by the Presidial and Personnel Committee, the Management Board and Supervisory Board reviewed the company's compliance with the German Corporate Governance Code, and in particular the amendments passed by the relevant Government Commission on May 15, 2012. As a result, on December 6, 2012 the following Declaration of Conformity was issued:

"Since the last declaration in December 2011 the company has complied with, and currently complies with, each of the recommendations of the Government Commission on the German Corporate Governance Code as published by the German Federal Ministry of Justice in the official section of the electronic version of the German Federal Gazette ("Bundesanzeiger"), with the following exceptions:

1. Contrary to Article 3.8, an excess of at least 10 percent of the loss up to at least an amount representing one and a half times the fixed annual remuneration of Supervisory Board members is not agreed in the D&O insurance policy. As a result of the moderate remuneration provisions for the Supervisory Board in the Articles of Association, a corresponding excess for the Supervisory Board is not approved. Even without such an excess, the Supervisory Board members will perform their duties responsibly.

2. Contrary to Article 4.1.5, Article 5.1.2 and Article 5.4.1, there is no appropriate inclusion or participation of women in the filling of management positions or in the composition of the Management Board and the Supervisory Board. In particular, the introduction of a quota for women in order to ensure equal opportunities is not supported. These positions should be filled regardless of gender so that neither the female gender nor the male gender is favoured or discriminated against. In addition, a candidate should not suffer any disadvantage on the grounds of racial or ethnic origin, religion or belief.

3. Contrary to Articles 5.1.2 and 5.4.1, no age limit is specified for members of the Management Board or Supervisory Board. Expertise and performance cannot be determined on the basis of rigid age limits. Upon the appointment of new Management Board and Supervisory Board members, the persons who bear responsibility for selecting suitable members will take account of the age of the chosen person when reaching their decision, alongside assessing their skills. If a Management Board or Supervisory Board member should become no longer sufficiently capable of holding office on the grounds of age during their term of office, the common sense of the persons involved is to be trusted.

4. Contrary to Article 7.1.2, the consolidated financial statements at December 31, 2011 were made public within 104 days rather than 90 days of the end of the financial year. As a result of the international structure of the Group, the completion and consolidation of the separate financial statements takes a considerable amount of time. In the interests of conscientious accounting processes, efforts to improve the accounting procedures continue.

Furthermore, BAUER Aktiengesellschaft already conforms largely to the additional suggestions of the Government Commission on the German Corporate Governance Code."

Conformity not only to the recommendations of the German Corporate Governance Code, but also to the suggestions made by it, is reviewed annually when preparing the Declaration of Conformity.

Roles of the Management Board and Supervisory Board

BAUER AG is a stock corporation established pursuant to German law. The Management Board and Supervisory Board work closely together within a dual governance system for the good of the business. The collaboration between the Management Board and the Supervisory Board is founded on the German Stock Corporation Act (Aktiengesetz) and on the German Corporate Governance Code. Moreover, the company's Articles of Association and the rules of procedu-regoverning the work of the Supervisory Board and of the

Management Board also lay down the basic structures of their collaboration.

The Management Board of BAUER AG currently comprises three members. They are assigned independent responsibility for managing the Group and the holding company. The members of the Management Board work together on a collegiate basis. Notwithstanding the overall responsibility of the Management Board, each member of the Board Management acts on his or her own responsibility within his or her assigned portfolio of functions. The Chairman of the Management Board coordinates the work of the Management Board. The Management Board members report on a regular basis to the Chairman of the Management Board in respect of all material matters and on the course of business within their assigned functions. Matters subject to the decision-making authority of the full Management Board are laid down in the rules of procedure governing the Management Board.

The Management Board defines the corporate strategy, agrees it in consultation with the Supervisory Board, and ensures that it is implemented. In fulfilling that role, the Management Board must ensure compliance with all legal requirements and internal corporate guidelines, and acts to ensure that the Group's member companies comply in like manner.

The Management Board provides the Supervisory Board and its subcommittees with regular, detailed information, in written form by way of monthly reports, by conference calls and at routine meetings, as well as at extraordinary meetings held as and when required, in respect of all matters of planning, business development, finance and earnings, risk, risk management, internal auditing and compliance of relevance to the company. Any non-conformance to budgets and performance targets is disclosed and reasons for it are presented.

The Supervisory Board appoints, supervises and advises the Management Board, and participates in decisions of fundamental significance to the company. The company's Articles of Association stipulate relevant transactions and undertakings which require the consent of the Supervisory Board. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and represents the Supervisory Board externally. The Supervisory Board regularly reviews the efficiency of its activities, as it also did at its December meeting last year.

Composition of the Supervisory Board

The Supervisory Board of BAUER AG comprises a total of 12 members. Six represent the employees and six are elected by the Annual General Meeting to represent the shareholders. The Supervisory Board includes a sufficient number of independent members who have no business or personal links to the company, to its executive bodies, to any controlling shareholder or to any company associated with any such shareholder which may give grounds for a material and not merely temporary conflict of interests. Moreover, all members of the Supervisory Board are obligated to immediately disclose to the Supervisory Board any conflicts of interest as and when they arise. No conflicts of interest were disclosed to the Supervisory Board by any of its members during the year under review.

Objectives of the Supervisory Board with regard to its composition

Following the amendments to the German Corporate Governance Code, the Supervisory Board revised its objectives with regard to its composition during the year under review. The following objectives must be taken into account by the Nominations Committee and by the Supervisory Board when proposing candidates for election to the Supervisory Board at the Annual General Meeting:

- The Supervisory Board shall be composed such that its members collectively possess the necessary skills, knowledge and professional experience to carry out its assigned role in a correct and proper manner.

- The appointment of shareholders' representatives to the Supervisory Board shall take due account of the Group's fundamental character as a family business, giving due consideration to the implications of that character in terms of the corporate culture, whereby two members shall be appointed from the Bauer family, provided the candidates are suitable.

- At least two of the shareholders' representatives on the Supervisory Board shall have substantial experience in the management of construction and/or construction machinery manufacturing companies.

- At least one of the shareholders' representatives on the Supervisory Board shall possess specialist skills and experience in the application of financial reporting standards and the implementation of internal control procedures.

- The employees' representatives on the Supervisory Board shall be elected in accordance with the provisions of the German Employees' Co-Determination Act.

- The Supervisory Board shall include no more than four members in total who have business or personal links to BAUER AG, to its executive bodies, to any controlling shareholder or to any company associated with any such shareholder which may give grounds for a material and not merely temporary conflict of interests.

- Supervisory Board posts shall be filled on merit, regardless of gender, so that neither men nor women are preferred or disadvantaged. Moreover, when appointments are made to the Supervisory Board, a candidate shall not be disadvantaged for reason of race, ethnic origin, religion or world view.

The objectives are fully embodied in the current composition of the Supervisory Board.

Composition and roles of the subcommittees
The Supervisory Board has established four standing committees constituted from among its members in order to support its plenary work. The Supervisory Board subcommittees and their roles and procedures are laid down in the rules of procedure governing the Supervisory Board. The committee chairmen report to the plenary Supervisory Board on a regular basis with regard to the work of their respective committees, and prepare the way for plenary Supervisory Board decisions within their specific remits.

The Presidial and Personnel Committee comprises the Chairman of the Supervisory Board as well as one Supervisory Board member elected by the shareholder representatives and one by the employee representatives respectively. Its role includes preparing the way for Supervisory Board decisions relating to the setting of overall remuneration to individual Management Board members and to the remuneration system for the Management Board in general, as well as responsibility for establishing, amending and terminating service contracts with the members of the Management Board. It also concerns itself with matters relating to corporate governance.

The Audit Committee comprises three members. The chairman of this committee possesses specific knowledge and experience in the application of accounting policies and internal control procedures, and is neither a former member of the company's Management Board nor the Chairman of the Supervisory Board. The role of the Audit Committee is in particular to monitor accounting procedures and to review the efficiency of the system of internal controls, the risk management system and the internal auditing system. In the year under review the committee additionally scrutinized audit procedures in relation to corporate compliance. The Audit Committee prepares the proposal of the Supervisory Board to the Annual General Meeting concerning the appointment of auditors, obtaining an Independence Confirmation from the auditors in advance of each Annual General Meeting. It undertakes a preliminary review of the annual financial statements of the parent company and the consolidated financial statements of the Group together with the respective management reports, as well as preparing the proposal on appropriation of net earnings available for distribution and consulting on the audit reports with the auditors. It also reviews the quarterly financial reports.

The Nominations Committee comprises three shareholder representative members of the Supervisory Board. The task of the Nominations Committee is to submit to the Supervisory Board proposals of suitable candidates to be put forward to the Annual General Meeting for election to the Supervisory Board.

The Mediation Committee, constituted pursuant to the German Co-determination Act, comprises two shareholder representative and two employee representative members respectively. The Mediation Committee was not required to convene in the course of the financial year in fulfillment of its assigned function pursuant to the Co-determination Act.

In his report to the Annual General Meeting, the Chairman of the Supervisory Board summarizes the work of the Supervisory Board and its subcommittees over the past financial year. The Report of the Supervisory Board for the 2012 financial year is published on pages 90 to 91 of the company's Annual Report. This report is thereby quoted by way of reference.

Corporate Governance and Compliance

The Management Board employs the Corporate Management Manual implemented throughout the Group as its central instrument of management. The Corporate Management Manual also sets out framework policy guidelines covering the entire Group, and lays down the principles of corporate governance and the programme of basic values which dictate the ethical and moral conduct of the company's employees in carrying out the business of the company. The implementation of measures to ensure compliance with laws, regulations, standards and in-house corporate directives by Group companies is regarded as being a key task of the Management Board. The framework policy guidelines covering the entire Group stipulate that management and staff must pay particular attention to ensuring correct and proper conduct in matters relating to anti-trust (cartel) law; competition law; corruption; product safety; hazards to human health and to the environment arising from our work; export restrictions; embargoes; tax and social security obligations; accounting and financial reporting; and infringement of legally established third-party intellectual property rights.

An appropriate system of risk management and of internal controls is established within the company. The essential features of the risk management and control system are summarized in the Opportunity and Risk Report forming part of the Group Management Report. The Management Board regularly updates the Supervisory Board on existing risk and risk trends. The established risk management system supports Group-wide control and monitoring procedures. Internal auditing systems monitor compliance with laws and standards across the Group. Reports on these matters are likewise submitted to the Audit Committee and to the plenary sessions of the Supervisory Board.

Shareholders and Transparency

The shareholders assert their rights at the Annual General Meeting, where they also exercise their voting rights. Each share entails one vote. All documents and information resources relating to the Annual General Meeting are made available to shareholders on our website well in advance. Queries can also be submitted to our Investor Relations department. The Annual General Meeting passed a resolution, with the necessary three-quarters majority, stipulating that the remuneration paid to members of the Management Board shall not be disclosed individually. Consequently, as has been the policy to date, only the remuneration paid to the Management Board in total, as set out in the Remuneration Report forming part of the company's Annual Report, shall be disclosed. The shareholders were assisted in exercising their voting rights by the facility to assign power of attorney to nominees and by the appointment of a company proxy to vote in accordance with the shareholders' instructions. An electronic transfer facility is also provided for the submission of powers of attorney. No company share option schemes or similar stock incentive programmes existed during the past financial year.

The company provides regular and timely information relating to the position of the company and in respect of material changes to the business. Extensive documentation and information resources, as well as a financial calendar listing the key recurring publication dates and the scheduled date of the Annual General Meeting, are provided on the company's website. In addition, the company's website, electronic distribution systems and the electronic version of the German Federal Gazette ("Bundesanzeiger") are used to ensure timely communication with our shareholders and with the public at large.

Four times a year, BAUER AG publishes updates on the course of its business in the form of quarterly interim financial reports, the half-year interim financial report and the annual financial statements. Notifications relating to voting rights as well as items of insider information relating directly to the company are disclosed by the Management Board immediately.

Shareholdings of the Management Board and Supervisory Board

Members of the Management Board at the year-end held a total of 2,676,016 (previous year: 2,676,016) shares in the company as per December 31, 2012. This corresponded to 15.62 % (previous year: 15.62 %) of the share capital of BAUER AG. At the same date members of the Supervisory Board held a total of 2,492,299 (previous year: 2,492,299) Bauer shares, corresponding to 14.55 % (previous year: 14.55 %) of the company's share capital.

Remuneration Report

Explanatory notes on the remuneration paid to the Management Board and Supervisory Board are set out in the Remuneration Report forming part of the Group Management Report on pages 53 to 55 of the 2012 Annual Report.

Report of the Supervisory Board

In the 2012 financial year, the Supervisory Board routinely provided the Management Board with advice and support on the conduct of business and monitored its management of the company. The Supervisory Board gave intensive consideration to the situation and prospects of the business, fulfilling the duties incumbent upon it in accordance with the law and the Articles of Association of the company.

At our joint sessions, the Management Board fulfilled its duty of disclosure in great detail, providing all required information in a timely and comprehensive manner. It provided us with written and verbal reports on the course of business, the position of the parent company and the Group as well as on corporate strategy and planning. The said reports also covered any deviation of business performance from defined plans. Between the meetings, the Management Board submitted monthly written reports on all important business transactions as well as on trends in key financial indicators of the Group and the parent company. The Chairman of the Supervisory Board was also in regular contact with the Management Board, and gathered information as appropriate relating to the course of business and key transactions.

In this way, the Supervisory Board was kept continually informed as to intended business policies, corporate planning, including financial, capital investment and personnel planning, the company's profitability and the course of business, as well as with regard to the position of the company and the Group as a whole. The Chairman of the Supervisory Board again accompanied the Chairman of the Management Board on visits to subsidiary companies outside of Germany, in order to gain an insight into business trends and the application of processes and procedures at local level.

There have been no changes to the composition of the Supervisory Board or its subcommittees since the elections held in 2011.

Main focus of consultations in Supervisory Board meetings
Four routine plenary meetings of the Supervisory Board were held in the year under review. Apart from one meeting at which one member was absent, the meetings of the Supervisory Board were attended by all members. In preparation for each meeting, the Management Board provided those attending with a comprehensive preliminary report setting out current business developments, financial trends and the latest corporate planning. In particular, we intensively scrutinized all transactions of key importance to the business based on the written and verbal reports provided by the Management Board and reviewed all the information disclosed in order to ensure the plausibility of the transactions in question. In their subcommittees and plenary sessions, the Supervisory Board members took every opportunity to scrutinize the reports and proposals submitted by the Management Board and to set forth their own suggestions.

At the annual accounts review meeting relating to the annual parent company and Group consolidated financial statements for the 2011 financial year, also attended by the auditors, a detailed review was undertaken of the respective financial statements and associated management and audit reports, taking into due consideration the report from the Audit Committee, and the proposal of the Management Board with regard to the appropriation of earnings. Other key topics discussed at the meeting were the liquidity situation with regard to specific major projects, the preparations for the upcoming Annual General Meeting, the course of business in the current financial year, the system of remuneration and the remuneration paid to the members of the Management Board. At its second meeting of the financial year, the Supervisory Board considered matters including the interim report on the first quarter of 2012, the development of the Group's business in the current year, and the remuneration of follow-up works on specific major construction projects. It also reviewed the development of the debt ratio in connection with the financial covenants. At this session the Supervisory Board also received a report on the Group's system of internal auditing. At its September session, which was accompanied by a visit to one of the plant facilities in Schrobenhausen, the Supervisory Board reviewed the trend of business at two Group companies in greater detail. It also considered the half-year interim financial report and the company's compliance with its financial covenants, as well as approving the medium-term plan with regard to the consolidated balance sheet. At the Supervisory Board's last session of the year in December, the focus was on the earnings and financing situation, as well as on the Group's income planning. The meeting also approved the plans for 2013. That same meeting also considered the declaration of conformity to the German Corporate Governance Code as well as the performance bonus framework.

Work carried out by the subcommittees

In the 2012 financial year there were four subcommittees of the Supervisory Board. The Mediation Committee and the Nominations Committee were not required to convene in fulfilment of their assigned functions. The chairmen of the various committees submitted regular reports on their work to the plenary Supervisory Board meetings. The meetings of the various subcommittees of the Supervisory Board in the financial year were attended by all the respective members.

Two meetings of the Presidial and Personnel Committee were convened. At those meetings, preparations were made for the decision of the Supervisory Board relating to the setting of the salaries and performance bonuses of the members of the Management Board and to the structuring of its remuneration system. Consideration was also given to the declaration of conformity to the German Corporate Governance Code as well as the performance bonus framework.

The Audit Committee held two conference calls and three meetings in the financial year. The committee reviewed the audit of the interim reports and, in the presence of the auditors, the audit of the annual financial statements of the parent company and consolidated financial statements of the Group. It also scrutinized the Management Board's proposal regarding the appropriation of earnings. The Audit Committee also made preparations for the appointment of the auditors for the financial year 2012, including scrutinizing their independence. It also reviewed the Group's financing situation as well as the system of risk assessment and the liquidity situation with regard to specific major projects, and consulted on the measures being taken to reduce debt. At a dedicated meeting, the Audit Committee was provided with records and documents pertaining to the internal auditing system and to audits carried out in accordance with corporate compliance requirements. The committee reviewed the system of assessing risk based on a so-called Risk Compass and scrutinized the risk management system.

Auditing of 2012 annual and consolidated financial statements

The annual financial statements of BAUER AG to December 31, 2012 and the consolidated financial statements of the Group, as well as the respective management reports, including the Group accounts, were audited by the auditors elected by the Annual General Meeting and duly appointed by the Supervisory Board, PricewaterhouseCoopers Aktiengesellschaft and Wirtschaftsprüfungsgesellschaft, Stuttgart. The accounts were certified by the auditors without reservation. The Audit Committee subjected the audit documentation and reports to thorough scrutiny. The Committee reported on its review to the Supervisory Board. The auditors attended the relevant meetings of the Audit Committee as well as the annual financial review meeting of the plenary Supervisory Board.

The audit documentation and reports from the auditors were provided to all members of the Supervisory Board in good time for scrutiny. Following our own review of the annual financial statements of the parent company and the consolidated financial statements of the Group, together with the respective management reports, we duly noted the auditors' reports and concurred with their findings. No objections were raised. The financial statements of BAUER AG and the consolidated financial statements of the Group were approved by the Supervisory Board at its annual review meeting on April 9, 2013. The annual financial statements of BAUER AG were thereby confirmed. The Supervisory Board concurred with the content of the parent company and consolidated Group management reports. Following prior consultations by the Audit Committee, the Supervisory Board concurred with the proposal of the Management Board regarding the appropriation of net profit available for distribution.

On behalf of the Supervisory Board, I would like to thank the members of the Management Board, all of the Group's employees and the employee representatives within all Group companies for their great effort and commitment throughout the past financial year.

Schrobenhausen, April 2013

The Supervisory Board

Dr. Klaus Reinhardt
Chairman of the Supervisory Board


BAUER
BAUER
BAUER BG 28
BAUER

Balance Sheet and Income Statement of BAUER Aktiengesellschaft in accordance with HGB

<<< The Lebanese Spezialtiefbau subsidiary carried out a large number of jobs in Beirut. They included a more than 20 m deep excavation pit for the Beb Bachoura project in the Central District.

Income Statement of BAUER Aktiengesellschaft

in EUR '000	01.01. - 31.12.2011	01.01. - 31.12.2012
1. Sales revenues	27,572	28,752
2. Other operating income	632	861
	28,204	**29,613**
3. Cost of materials	-1,769	-1,202
4. Staff costs	-13,151	-13,833
5. Amortization of intangible assets and depreciation of property, plant and equipment	-3,093	-2,990
6. Other operating expenses	-10,063	-10,150
	-28,076	**-28,175**
Operating result	**128**	**1,438**
7. Income from participations	7,821	10,296
8. Other interest and similar income	5,679	8,056
9. Interest and similar expenses	-3,185	-4,532
Financial result	**10,315**	**13,820**
10. Result from operating activities	**10,443**	**15,258**
11. Extraordinary expenses	-140	-140
12. Income tax expense	-927	-1,674
13. Other taxes	-17	-21
14. Net profit for the year	**9,359**	**13,423**
15. Profit carried forward	13,232	14,025
16. Net earnings available for distribution	**22,591**	**27,448**

Balance Sheet of BAUER Aktiengesellschaft as at December 31, 2012

Assets

in EUR '000		31.12.2011	31.12.2012
A.	**Fixed assets**		
I.	Intangible assets	2,713	3,012
II.	Property, plant and equipment	3,014	3,556
III.	Financial assets	105,696	105,696
		111,423	**112,264**
B.	**Current assets**		
I.	Inventories Raw materials and supplies	26	27
II.	Receivables and other assets (of which receivables from affiliated companies)	122,854 (120,632)	168,523 (166,063)
III.	Cash at banks	236	1,629
		123,116	**170,179**
C.	**Prepayments and deferred charges**	**823**	**1,008**
D.	**Deferred tax assets**	**258**	**218**
		235,620	**283,669**

Equity and Liabilities

in EUR '000		31.12.2011	31.12.2012
A.	**Shareholders' equity**		
I.	Subscribed capital	73,001	73,001
II.	Capital reserve	39,781	39,781
III.	Revenue reserves	15,100	15,100
IV.	Net earnings available for distribution (of which profit carried forward EUR 14,025 thousand; previous year: EUR 13,232 thousand)	22,591	27,448
		150,473	**155,330**
B.	**Provisions** (of which provisions for defined benefit plans)	**6,204** (4,605)	**6,158** (4,913)
C.	**Liabilities** (of which liabilities payable to affiliated companies)	**78,901** (26,987)	**122,181** (38,833)
D.	**Deferred tax liabilities**	**42**	**0**
		235,620	**283,669**


BAUER BG 28

Consolidated Financial Statements in accordance with IFRS

<<< *In Zurich, developer Swiss Life is constructing the Zölly high-rise residential tower as part of the City West project. The site of the former distribution centre was found to be contaminated. Bauer first executed the replacement bores and then the foundations with 58 bored piles.*

Income Statement and Statement of Comprehensive Income of the BAUER Group

Income Statement

in EUR '000		Notes	01.01. - 31.12.2011	01.01. - 31.12.2012
1.	**Sales revenues**	(5)	**1,219,587**	**1,344,421**
2.	Changes in inventories		31,100	-22,355
3.	Other capitalized goods and services for own account	(6)	31,375	24,249
4.	Other income	(7)	45,023	39,547
CONSOLIDATED REVENUES			**1,327,085**	**1,385,862**
5.	Cost of materials	(8)	-672,807	-686,834
6.	Staff costs	(9)	-298,761	-325,594
7.	Depreciation and amortization a) Depreciation of fixed assets	(10)	-66,287	-76,403
	b) Write-downs of inventories due to use	(11)	-15,909	-15,392
8.	Other operating expenses	(12)	-191,021	-210,240
OPERATING RESULT			**82,300**	**71,399**
9.	Financial income	(13)	6,624	5,972
10.	Financial expenses	(14)	-40,702	-44,657
11.	Share of the profit or loss of associated companies accounted for using the equity method		-689	5,549
PROFIT BEFORE TAX			**47,533**	**38,263**
12.	Income tax expense	(15)	-13,418	-12,924
NET PROFIT OR LOSS			**34,115**	**25,339**
	of which attributable to shareholders of BAUER AG		31,933	24,309
	of which attributable to minority interests		2,182	1,030

in EUR		01.01. - 31.12.2011	01.01. - 31.12.2012
Basic earnings per share	(16)	1.86	1.42
Diluted earnings per share	(16)	1.86	1.42
Average number of shares in circulation (basic)		17,131,000	17,131,000
Average number of shares in circulation (diluted)		17,131,000	17,131,000

Statement of Comprehensive Income

in EUR '000	01.01. - 31.12.2011	01.01. - 31.12.2012
Net profit or loss	**34,115**	**25,339**
Income and expenses transferred to profit and loss		
Market valuation of derivative financial instruments	-692	-1,839
Included in profit and loss	-394	-466
Deferred taxes on financial instruments with no effect on profit and loss	214	516
Differences from currency translation	3,600	-3,625
Other result after tax	**2,728**	**-5,414**
Total profit	**36,843**	**19,925**
of which attributable to shareholders of BAUER AG	34,713	19,874
of which attributable to minority interests	2,130	51

Cash Flow Statement of the BAUER Group

in EUR '000	01.01. - 31.12.2011	01.01. - 31.12.2012
Cash flows from operating activities:		
Profit before tax	47,533	38,263
Depreciation of fixed assets	66,287	76,403
Write-downs of inventories due to use	15,909	15,392
Financial income received	-6,036	-4,573
Financial expenses paid	35,947	40,080
Other non-cash transactions	13,726	5,765
Result from the disposal of fixed assets	-4,294	-2,624
Decrease in provisions **	-6,096	-12,332
Increase in trade receivables	-44,655	-12,283
Increase in receivables from construction contracts	-32,484	-26,153
Decrease in receivables from concession arrangements	674	4,027
Decrease (previous year: increase) in other assets and in prepayments and deferred charges *	-4,268	2,417
Decrease (previous year: increase) in inventories *	-81,607	18,193
Increase in trade payables	31,812	11,767
Increase (previous year: decrease in liabilities from construction contracts	-22,680	16,274
Increase in other current and non-current liabilities **	14,868	1,000
Cash and cash equivalents generated from day-to-day business operations	**24,636**	**171,616**
Income tax paid	-16,177	-5,903
Net cash from operating activities	**8,459**	**165,713**
Cash flows from investing activities:		
Acquisition of affiliated companies less net cash and cash equivalents procured	0	-1,282
Acquisition of property, plant and equipment and intangible assets	-102,263	-100,907
Proceeds from sale of fixed assets	17,384	25,592
Consolidation scope-related change in financial resources	223	443
Acquisition of financial assets (participations)	0	-33
Net cash used in investing activities	**-84,656**	**-76,187**
Cash flows from financing activities:		
Raising of loans and liabilities to banks	180,131	56,551
Repayment of loans and liabilities to banks	-55,007	-71,369
Repayment of liabilities from finance lease agreements	-8,240	-6,256
Dividends paid	-11,453	-9,950
Interest paid	-35,904	-40,029
Interest received	3,939	3,045
Net cash used in financing activities	**73,466**	**-68,008**
Changes in liquid funds affecting payments	**-2,731**	**21,518**
Influence of exchange rate movements on cash	65	-1,233
Total change in liquid funds	**-2,666**	**20,285**
Cash and cash equivalents at beginning of reporting period	**27,613**	**24,947**
Cash and cash equivalents at end of reporting period	**24,947**	**45,232**
Change in cash and cash equivalents	**-2,666**	**20,285**

* / ** See footnotes on pages 100/101.

Balance Sheet of the BAUER Group as at December 31, 2012

Assets

in EUR '000	Notes	31.12.2011	31.12.2012
A. NON-CURRENT ASSETS			
I. Intangible assets	(17)		
1. Concessions, industrial property rights and similar rights and values and licences to such rights and values		10,395	12,251
2. Goodwill		2,031	2,203
3. Capitalized software costs		298	174
4. Capitalized development costs		17,579	19,939
		30,303	**34,567**
II. Property, plant and equipment and investment property	(17)		
1. Land, land rights and buildings		205,851	202,915
2. Investment property		998	961
3. Technical equipment and machinery		216,947	210,692
4. Other equipment, factory and office equipment		29,118	27,734
5. Payments on account and assets in course of construction		5,658	23,014
		458,572	**465,316**
III. Investments accounted for using the equity method		8,803	13,133
IV. Participations		3,627	3,638
V. Deferred tax assets	(18)	15,987	20,231
VI. Receivables from concession arrangements	(19)	43,975	40,770
VII. Other non-current assets	(20)	10,298	8,597
VIII. Other non-current financial assets	(21)	6,205	6,846
		577,770	**593,098**
B. CURRENT ASSETS			
I. Inventories *	(22)		
1. Raw materials and supplies		153,244	152,782
2. King piles, sheet piles		1,747	1,617
3. Finished goods and work in progress and stock for trade		312,148	275,395
		467,139	**429,794**
II. Receivables and other assets	(23)		
1. Receivables from construction contracts (PoC)		89,501	116,398
2. Trade receivables		255,102	264,216
3. Receivables from joint ventures		2,240	4,922
4. Receivables from enterprises in which the company has participating interests		87	344
5. Payments on account *		3,507	2,825
6. Other current assets		56,098	47,719
7. Other current financial assets		6,273	12,412
		412,808	**448,836**
III. Effective income tax refund claims		4,786	4,514
IV. Cash and cash equivalents	(24)	24,947	45,232
		909,680	**928,376**
		1,487,450	**1,521,474**

* Previous year figures adjusted. The presentation of payments on account for inventories was adjusted as per IAS 1.78.

Equity and Liabilities

in EUR '000	Notes	31.12.2011	31.12.2012
A. SHAREHOLDERS' EQUITY	(25)		
I. Subscribed capital		73,001	73,001
II. Capital reserve		38,404	38,404
III. Other revenue reserves		34,026	29,591
IV. Net earnings available for distribution		291,283	308,681
V. Minority interests		33,720	33,398
		470,434	**483,075**
B. NON-CURRENT LIABILITIES	(26)		
I. Non-current portion of liabilities to banks		355,171	426,186
II. Non-current portion of liabilities from finance lease agreements		17,661	16,187
III. Non-current portion of defined benefit plans **	(27)	50,732	51,859
IV. Other non-current liabilities **		11,590	8,674
V. Other non-current financial liabilities		14,769	22,712
VI. Deferred tax liabilities	(18)	12,962	19,397
		462,885	**545,015**
C. CURRENT LIABILITIES	(28)		
I. Liabilities			
1. Current portion of liabilities to banks		251,567	168,090
2. Advances received for orders		14,292	18,898
3. Liabilities from construction contracts (PoC)		13,613	29,982
4. Trade payables		127,597	137,066
5. Liabilities to enterprises in which the company has participating interests		195	173
6. Current portion of liabilities from finance lease agreements		8,321	8,789
7. Other current liabilities		92,012	95,138
8. Other current financial liabilities		22,095	13,663
		529,692	**471,799**
II. Provisions			
1. Effective income tax obligations		5,733	4,808
2. Other provisions	(29)	16,903	14,893
3. Current portion of defined benefit plans	(27)	1,803	1,884
		24,439	**21,585**
		554,131	**493,384**
		1,487,450	**1,521,474**

* Previous year figures adjusted. Based on new findings, EUR 874 thousand was transferred from "Other non-current liabilities" to provisions for defined benefit plans.

Statement of Changes in Equity of the BAUER Group from January 1, 2011 to December 31, 2012

in EUR '000			Other revenue reserves and net earnings available for distribution						
	Subscribed capital	Capital reserve	Revenue reserves	Currency translation reserve	Reconciling item, IFRS	Hedging transactions reserve	Own shares	Minority interests	Total
As at 01.01.2011	**73,001**	**38,404**	**285,520**	**6,367**	**10,387**	**-1,061**	**0**	**31,248**	**443,866**
Net profit or loss	0	0	31,933	0	0	0	0	2,182	**34,115**
Differences from currency translation	0	0	0	3,652	0	0	0	-52	**3,600**
Market valuation of derivative financial instruments	0	0	0	0	0	-1,086	0	0	**-1,086**
Deferred taxes with no effect on profit and loss	0	0	0	0	0	214	0	0	**214**
Total profit	0	0	31,933	3,652	0	-872	0	2,130	**36,843**
Changes in scope of consolidation	0	0	-358	0	0	0	0	1,516	**1,158**
Dividend payments	0	0	-10,279	0	0	0	0	-1,174	**-11,453**
Other changes	0	0	20	0	0	0	0	0	**20**
As at 31.12.2011	**73,001**	**38,404**	**306,836**	**10,019**	**10,387**	**-1,933**	**0**	**33,720**	**470,434**
As at 01.01.2012	**73,001**	**38,404**	**306,836**	**10,019**	**10,387**	**-1,933**	**0**	**33,720**	**470,434**
Net profit or loss	0	0	24,309	0	0	0	0	1,030	**25,339**
Differences from currency translation	0	0	0	-2,646	0	0	0	-979	**-3,625**
Market valuation of derivative financial instruments	0	0	0	0	0	-2,305	0	0	**-2,305**
Deferred taxes with no effect on profit and loss	0	0	0	0	0	516	0	0	**516**
Total profit	0	0	24,309	-2,646	0	-1,789	0	51	**19,925**
Changes in scope of consolidation	0	0	1,816	0	0	0	0	850	**2,666**
Dividend payments	0	0	-8,565	0	0	0	0	-1,385	**-9,950**
Other changes	0	0	-162	0	0	0	0	162	**0**
As at 31.12.2012	**73,001**	**38,404**	**324,234**	**7,373**	**10,387**	**-3,722**	**0**	**33,398**	**483,075**

Notes to the Consolidated Financial Statements of the BAUER Group

GENERAL NOTES

GENERAL DISCLOSURES RELATING TO THE GROUP

BAUER Aktiengesellschaft, Schrobenhausen (referred to in the following as BAUER AG) is a stock corporation under German law. Its registered office is at BAUER-Strasse in Schrobenhausen, and the company is entered in the Register of Companies of Ingolstadt under file reference HRB 101375.

The BAUER Group is a provider of services, machinery and ancillary products for ground and groundwater. The Group markets its products and services all over the world. Its business is divided into three segments: Construction, Equipment and Resources.
BAUER AG has been listed on the SDAX stock market index since September 2006. Between September 2008 and September 2010 BAUER AG was also listed on the MDAX index.

1. BASES FOR COMPILING THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of BAUER AG were prepared applying section 315a of the German Commercial Code (HGB) in accordance with International Financial Reporting Standards (IFRS), as applicable in the EU. The consolidated financial statements were prepared on the basis of historical cost, limited by the market-value valuation of available-for-sale financial assets and by the fair-value valuation of financial assets and liabilities (including derivative financial instruments) affecting net income. The previous year's figures have been determined according to the same principles.
The BAUER Group's financial year is the calendar year.
The consolidated financial statements were prepared in euros. Unless otherwise specified, all amounts are quoted in thousands of euros (EUR '000).

The income statement was prepared according to the nature of expenses method.

2. SCOPE OF CONSOLIDATION AND CONSOLIDATION PRINCIPLES

Scope of consolidation

The scope of consolidation includes BAUER AG and all major subsidiaries. Subsidiaries are all companies over which the parent has control in terms of financial and corporate policy. This is routinely accompanied by a voting share of over 50 percent. When assessing whether control is exerted, the existence and effect of potential voting rights currently exercisable or convertible are considered.

Subsidiary companies are not included in the consolidated financial statements if they are not material from the viewpoint of an operating segment or of the Group based on the following assessment:
If the sum of all subsidiaries not included in the consolidated financial statements accounts for more than 1 percent of the Group's total net assets, consolidated revenues or net profit, an assessment is undertaken as to which company should be included in the consolidated financial statements taking into account sustainability and consolidation effects. The assessment criteria for materiality in respect of associated companies are restricted to annual earnings. Alongside quantitative criteria, qualitative criteria are also applied in assessing the materiality of a company with regard to its inclusion in the scope of consolidation. Consequently, the non-inclusion of any one company must not result in material changes to segment or Group annual earnings, nor must it mask any other materially relevant trends.
In a small number of cases, companies are fully consolidated into the financial statements of BAUER AG even though that company holds less than 50 percent of their voting rights. This is the result of state restrictions which stipulate that foreign

investors may not hold more than 50 percent of the voting rights in domestic companies. In such cases BAUER AG makes use of so-called agency constructions, whereby more than 50 percent of the voting rights are commercially held in the company concerned, thus allowing for full consolidation.

Subsidiaries are included in the consolidated financial statements (fully consolidated) from the point at which control, or the possibility of control, is transferred to the Group. They are de-consolidated at the point when control ends. Companies of which BAUER AG is able, directly or indirectly, to exercise a significant influence on the said companies' financial and operating policy decisions (associated companies) are consolidated according to the equity method. This related to five companies as at December 31 (previous year: six).

The main subgroups and companies included in the consolidated financial statements are listed in the Major Participations section. The disclosures in accordance with section 313, subsection 2 HGB are grouped in a separate list of holdings. This will be published as part of the Notes to the financial statements in the electronic version of the official Gazette ("Bundesanzeiger") of the Federal Republic of Germany. Subsidiaries with differing balance sheet dates compile interim financial statements as per the Group balance sheet date. The associated company NuBa Equipment Ltd. of Canada prepares its annual financial statement to September 30. BAUER Corporate Services Private Ltd., India, compiles its consolidated financial statements to March 31.

The following companies were consolidated for the first time during the financial year:

- Construction segment: BAUER Georgia Foundation Specialists LLC, Batumi, Georgia
  BAUER Geotechnical Specialized Foundation LLC, Abu Dhabi, United Arab Emirates

In the Resources segment, on April 9, 2012 SBF Hagusta GmbH, based in Renchen, Germany, was merged into GWE pumpenboese GmbH, Peine, Germany, retrospectively with effect from January 1, 2012.

Acquisitions in the Resources segment:

In order to serve the South American market, and utilizing synergies within the BAUER Resources Group, with effect from January 4, 2012 the Group acquired 60 percent of the shares in GWE Tubomin S.A., Colina, Chile, for a purchase price of USD 1,800 thousand. The purchase price was paid in cash.

GWE Tubomin S.A. manufactures and sells PVC and steel pipes and tubes, filters and accessories for customers in the fields of well engineering, exploration and mining.

The acquisition was effected through BAUER Resources Chile Ltda., Santiago de Chile, Chile, a subsidiary company established during 2011. BAUER Resources GmbH holds 99.99 percent and GWE pumpenboese GmbH 0.01 percent of the shares in that company.

For the purposes of simplification, both GWE Tubomin S.A. and BAUER Resources Chile Ltda. were consolidated for the first time with effect from January 1, 2012.

The assets and liabilities consolidated into the Group's balance sheet for the first time were entered at the following fair values:

in EUR '000	04.01.2012
Non-current assets	1,408
Current assets	1,295
(of which cash and cash equivalents)	(161)
Total assets	**2,703**
Non-current liabilities	165
Current liabilities	402
Total liabilities	**567**
Net assets	**2,136**
Minority interests	850
Net assets acquired	**1,286**
Purchase price	1,443
Goodwill	**157**

Minority interests were valued in proportion to their share of the identifiable net worth.

The current and non-current assets include receivables totalling EUR 797 thousand.

The acquisition generated goodwill totalling EUR 157 thousand. The allocated portions of the purchase price for the intangible assets arising from the acquisition relate to customer relationships which are subjected to straight-line depreciation according to the economic life of the asset.

Since the date of acquisition GWE Tubomin S.A. has generated sales revenues totalling EUR 2,787 thousand, returning a net profit of EUR 29 thousand.

Consolidation principles

The assets and liabilities of the German and foreign companies included in the consolidated financial statements are stated according to the uniform accounting and valuation methods applicable throughout the BAUER Group. Mutual receivables and liabilities as well as expenses and income between consolidated companies are eliminated. Consolidated inventories and fixed assets are adjusted by existing intra-Group balances. Consolidation affecting net income is subject to deferral of taxes, with deferred tax assets and liabilities being offset against each other provided the payment period and tax creditor are the same. In respect of subsidiaries consolidated for the first time, the identifiable assets, liabilities and contingent liabilities of the acquired companies were recorded at their applicable fair values at the time of acquisition. Goodwill occurring on initial consolidation is capitalized and subjected to a yearly impairment test; an excess of the net fair value of the acquired net assets over cost is recognized in the income statement immediately at the time of initial consolidation in accordance with IFRS 3. Consolidation according to the equity method is subject to the same principles. If the pro rata loss in an associated company is equal to or greater than the carrying amount of the participating interest, no further losses are recognized, unless a consolidated Group company has entered into obligations or made payments on behalf of the associated company.

3. KEY ASSUMPTIONS AND ESTIMATES

In the consolidated financial statements, assumptions and estimates must be made which influence the amounts and recognition of assets and liabilities, income and expenses recorded, as well as contingent liabilities. The main areas of application of assumptions and estimates are in specifying the useful lives of fixed assets, determining discounted cash flows within the framework of impairment tests, assessing the realizability of deferred tax assets and the collectability of receivables, estimating the percentage of completion of construction contracts, establishing the fair value of some financial instruments and in creating provisions for legal actions, pensions and other benefit commitments, taxes, warranties and guarantees. The actual values may differ from the estimates made.

4. GENERAL ACCOUNTING AND VALUATION METHODS

4.1. General changes to accounting and valuation methods

In financial 2012, the BAUER Group applied the following new and revised IFRS standards and interpretations.

- IAS 12 Amendment to IAS 12 – Income Taxes – Introduction of a rebuttable presumption relating to deferred tax on investment properties measured at fair value
- IFRS 1 Amendment to IFRS 1 – First-time adoption of International Financial Reporting Standards – Exemption in case of severe hyperinflation and removal of fixed dates
- IFRS 7 Amendment to IFRS 7 – Financial Instruments: Disclosures – Change to disclosure requirements in connection with the transfer of financial assets

The standards and interpretations bindingly applicable for the first time in financial 2012 have no significant effects on the net asset, financial and earnings position of BAUER AG.

Annual improvements to IFRS 2011: In May 2012 the International Accounting Standards Board (IASB) published a new amendment as part of its Annual Improvements cycle for standards and interpretations. The amendments are bindingly applicable for the first time to financial years beginning on or after January 1, 2013.

Moreover, the IASB and the IFRIC have adopted further standards, interpretations and amendments, as listed below, which were not yet bindingly applicable, or had not yet been recognized by the EU, in financial 2012. The BAUER Group had not implemented early application of these standards by December 31, 2012. Initial application of the standards is planned as from the point they are recognized and adopted by the EU.

- IAS 1 Amendment to IAS 1 – Presentation of Financial Statements – Clarification regarding presentation of items of other comprehensive income
- IAS 19 Amendment to IAS 19 – Employee Benefits – Introduction of new rules governing accounting for employee benefits
- IAS 27 Amendment to IAS 27 – Separate Financial Statements – IAS 27 Consolidated and Separate Financial Statements reissued as IAS 27 Separate Financial Statements. The previous consolidation provisions are now contained in revised form in IFRS 10
- IAS 28 Amendment to IAS 28 – Investments in Associates and Joint Ventures – Accounting for investments in associates and rules for application of the equity method when accounting for investments in associates and joint ventures
- IAS 32 Amendment to IAS 32 – Financial Instruments: Presentation – Clarification of some rules on the balancing of financial assets and liabilities
- IFRS 1 Amendment to IFRS 1 – First-time adoption of International Financial Reporting Standards – Change to the accounting requirements for first-time adoption of IFRS in respect of government loans

- IFRS 7 Amendment to IFRS 7 – Financial Instruments: Disclosures – The changes to the disclosure rules in IFRS 7 relate to mandatory disclosures in respect of all financial instruments recognized on the balance sheet reconciled in accordance with IAS 32. Disclosures are additionally required in respect of all financial instruments recognized on the balance sheet which are subject to an enforceable agreement.
- IFRS 9 Disclosures relating to the classification and measurement of financial instruments – IFRS 9 is an IASB project aimed at replacing and simplifying classification and measurement in the current standard IAS 39: Financial Instruments.
  The project is divided into three phases:
  Phase 1: Classification and Measurement
  Phase 2: Amortized cost and impairment of financial assets
  Phase 3: Hedge Accounting
- IFRS 10 Consolidated Financial Statements – IFRS 10 sets out provisions relating to consolidated financial statements. They include guidelines relating to the concept of "control" as well as in relation to consolidation
- IFRS 11 Joint Arrangements – Accounting for rights and obligations arising from joint arrangements
- IFRS 12 Disclosure of Interests in Other Entities – Provisions for disclosures in order to assess the nature, risks and financial effects in connection with acquisition of interests in other entities
- IFRS 13 Fair Value Measurement – IFRS 13 stipulates how fair value is to be determined and extends fair value disclosure requirements
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine – IFRIC 20 stipulates how costs associated with waste removal in surface mining are to be accounted for

With regard to the aforementioned standards and interpretations, excluding IAS 19, the BAUER Group cannot yet definitively assess the effects of first-time adoption at present.

4.2. Changes to accounting and valuation methods relating to provisions for defined benefit plans

With regard to IAS 19, we expect a change to the accounting for employee benefits resulting from the abolition of the "corridor" method.
In this context we expect a reduction in "Other comprehensive income" in an amount of EUR 20 – 25 million after deferred taxes.
The upcoming amendments to IAS 19 and adoption of the Net Interest Approach are not likely to result in any material change to the income statement for the 2013 reporting period linked to an (expected) change in income from plan assets and/or reimbursement rights.

The future post-employment expenditure directly affecting net expenditure is likely to have only minor effects on earnings in 2013. The expenditure now to be recognized in future over a vesting period for the top-up obligation arising from part-time working contracts in the run-up to retirement is likely to reduce operating profit and profit after tax. At the same time this is likely to result in a deferred tax income. In addition, with effect from January 1, 2013 IAS 19 (revised 2011) will lead to a reduction in provisions for obligations arising from part-time working contracts in the run-up to retirement accompanied by an increase in deferred tax assets.

In financial 2012 the pensions regulator modified the interest calculation procedure owing to the reduced number of AA-rated bonds and the resultant fall in interest level.

The reduction in the discounting factor was the main reason for the increase in actuarial losses.

Pursuant to a judgement by the Federal Labour Court, the German companies utilized the option to switch defined benefit plans to individualized standard age limits (at present 67 for employees born in 1964 or later) and recalculated their provisions for defined benefit plans accordingly. This led to a reduction in the respective pension commitments in the valuation to December 31, 2012 in individual cases c.p. (EUR -1,537 thousand).

4.3. Accounting and valuation methods within the Group

Foreign currency translation

Foreign currency transactions are translated in the financial statements of BAUER AG and the consolidated subsidiaries at the rates applying on the dates of the transactions. The financial statements of the foreign companies belonging to the BAUER Group are translated into euros according to the functional currency concept. Accordingly, assets and liabilities are translated at the rate applying on the balance sheet date and the income statement items at the average rate. The differences arising from currency translation are recognized in the currency translation reserve as part of the shareholders' equity, without affecting net income.

The rates used for translation are based on the following table:

1 EUR equals		Yearly average values		Balance sheet date values	
		2011	2012	2011	2012
Singapore	SGD	1.7543	1.6072	1.6813	1.6116
Thailand	THB	42.7997	40.0346	40.8308	40.3532
Mexico	MXP	17.4123	16.9761	18.0731	17.1986
Chile	CLP	675.6954	629.0114	671.9091	631.2020
Argentina	ARS	5.7959	5.9082	5.5670	6.4742
Peru	PEN	3.8539	3.4027	3.4886	3.3650
Japan	JPY	111.2939	103.4106	100.1168	113.6111
United States of America	USD	1.3996	1.2918	1.2938	1.3183
South Africa	ZAR	10.1155	10.5824	10.4767	11.1897
Great Britain	GBP	0.8697	0.8113	0.8372	0.8154
Malaysia	MYR	4.2752	3.9774	4.1102	4.0333
Saudi Arabia	SAR	5.2487	4.8445	4.8517	4.9444
Lebanon	LBP	2,107.6919	1,943.0039	1,947.7406	1,984.7007
Egypt	EGP	8.3321	7.8699	7.8023	8.3908
Indonesia	IDR	12,304.3284	12,191.3441	11,928.3750	12,972.0720
Hungary	HUF	280.1723	288.2774	312.7641	292.8406
Romania	RON	4.2407	4.4612	4.3326	4.4392
United Arab Emirates	AED	5.1405	4.7446	4.7518	4.8420
Philippines	PHP	60.5071	54.3570	56.7180	54.1162
New Zealand	NZD	1.7528	1.5864	1.6728	1.6035
Taiwan	TWD	41.1817	38.1055	39.1929	38.2874
Hong Kong	HKD	10.8939	10.0184	10.0513	10.2188
China	CNY	9.0285	8.1397	8.1485	8.2117
Switzerland	CHF	1.2315	1.2039	1.2162	1.2072
Australia	AUD	1.3413	1.2445	1.2716	1.2712
Canada	CAD	1.3792	1.2905	1.3197	1.3114
Russia	RUB	41.0066	40.0461	41.7428	40.1982
India	INR	65.5838	69.0521	68.9828	72.2231
Bulgaria	BGL	1.9560	1.9559	1.9562	1.9559
Sweden	SEK	8.9901	8.6823	8.9189	8.5842
Poland	PLN	4.1408	4.1714	4.4553	4.0929
Panama	PAB	1.3996	1.2918	1.2938	1.3183
Qatar	QAR	5.0944	4.7019	4.7093	4.7986
Turkey	TRY	2.3533	2.3141	2.4424	2.3557
Vietnam	VND	28,955.7593	26,963.1058	27,210.1500	27,474.6903
Jordan	JOD	0.9920	0.9152	0.9173	0.9363
Oman	OMR	0.5389	0.4976	0.4981	0.5076
Ghana	GHS	2.1715	2.4023	2.1211	2.5147
Georgia	GEL	2.3469	2.1360	2.1604	2.1861

Intangible assets

Intangible assets are capitalized at cost and amortized according to the straight-line method over the projected useful life of 3 to 10 years.

Assets which have an indefinite useful life, such as goodwill, are not subjected to scheduled amortization but are impairment-tested each year, or when relevant indications arise. The goodwill is the amount by which the acquisition cost of the acquisition exceeds the fair value of the Group's shares in the net assets of the acquired entity at the date of acquisition. Goodwill created by acquisition is recognized under "Intangible assets". Goodwill resulting from the acquisition of an associated company is included in the carrying amount of investments in associated companies and consequently is not impairment-tested separately, but within the overall carrying amount. The recognized goodwill is subjected to an annual value retention test and valued at its original acquisition cost less cumulative impairment. Value recovery adjustments are not permitted. Gains and losses from the disposal of an entity include the carrying amount of the goodwill assigned to the entity being sold.

Assets which are subject to scheduled amortization are impairment-tested if relevant events or changes in circumstances indicate that the carrying amount may no longer be attainable.

Impairment in the amount of the carrying amount exceeding the attainable amount is recognized. The attainable amount is the higher amount of the applicable fair value of the asset less selling costs and the value in use. For the impairment test, assets are grouped at the lowest level for which cash flows can be separately identified (cash-generating units). With the exception of goodwill, a test is performed on each balance sheet date in respect of non-cash assets for which in the past an impairment was recognized as to whether a value recovery adjustment is required.

Research and development costs are generally charged as expenditure in the financial year in which they occurred, in accordance with IAS 38. Exceptions to this are certain development costs which are capitalized where it is probable that a future economic benefit will be drawn from the development project and the costs incurred can be measured reliably. In addition, the following criteria in accordance with IAS 38.57 must be met:

- Technical feasibility of completion of the intangible asset so that it will be available for use or sale.
- Intention to complete the intangible asset and to use or sell it.
- Ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to be able to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of manufacture includes all costs directly attributable to the development process as well as appropriate portions of development-related overheads. The assets in development are subjected to an annual impairment test and valued at their original cost less cumulative depreciation. Amortization is undertaken according to the straight-line method as from start of production over the intended term of the developed models. The projected useful life is between 3 and 6 years. Impairment losses on intangible assets are recognized to the higher of the value in use or net realizable value. If the preconditions for an impairment no longer exist, reversals of impairment – except for goodwill – are undertaken.

Property, plant and equipment

According to IAS 16, property, plant and equipment is valued at cost, less scheduled straight-line depreciation based on the pro rata temporis method, unless in exceptional cases some other method of depreciation more effectively reflects the usage. The following table provides an overview of the useful lives:

Asset	Economic life
Buildings and other structures	3 to 60 years
Technical equipment and machinery	3 to 21 years
Other equipment, factory and office equipment	2 to 21 years

Impairment losses on property, plant and equipment are recognized in accordance with IAS 36 where the value in use or fair value less cost to sell of the asset concerned has fallen below the carrying amount. If the reasons for an impairment recognized in previous years no longer exist, a corresponding reversal of impairment is applied.
Both impairment losses and scheduled depreciation are recognized under the "Depreciation of fixed assets" item. The level of impairment losses is explained in accordance with IAS 36 under "Non-current assets".

Leasing

The BAUER Group acts as both a lessee and a lessor. Leasing relationships are classified according to IAS 17 based on the distribution of opportunity and risk between the lessor and lessee.
Leasing relationships in which most of the opportunity and risk linked to ownership of the leased item remains with the lessor are classified as operating leases. Where the lessee has most of the opportunity and risk, the agreement is classified as a finance lease.

a) Accounting for lessee transactions

Payments made in connection with an operating lease (net after taking into account incentive payments by the lessor) are recognized in the income statement by straight-line depreciation over the term of the lease.
Assets from finance leases are capitalized at the start of the lease term at the lower of the fair value of the leased item and the present value of the minimum lease payments. A leasing liability is recognized under "Current and non-current liabilities". Each lease instalment is split into an interest and a repayment portion, so that the leasing liability is subject to a consistent interest rate. The interest portion of the lease instalment is recognized as affecting expenditure in the income statement. The property, plant and equipment asset held under a finance lease is written down over the shorter of the economic life of the asset or the lease term.

b) Accounting for lessor transactions

A lease is an agreement whereby the lessor assigns to the lessee the right to use an asset for a specific period of time against a payment or series of payments.
Assets leased by the customer in the form of operating leases are assigned on the balance sheet according to their nature. Income from leases is recognized by the straight-line method over the term of the agreement.
In the BAUER Group, mainly operating leases are entered into as the lessor.

Government grants

Government grants for assets including non-monetary benefits at fair value are recognized on the balance sheet as accruals on the Equity and Liabilities side (Investment allowance) or, on determining the carrying amount of the asset, are deducted from the Assets side (Invest subsidy).

Business combinations

Acquisitions of subsidiaries are accounted for in accordance with IFRS 3 based on the acquisition method. The cost of the acquisition corresponds to the fair value of the assets contributed, the equity instruments issued and the liabilities created and/or transferred at the transaction date. Assets, liabilities and contingent liabilities identifiable in the course of a business combination are measured on initial consolidation at their fair values at the acquisition date. The amount by which the acquisition cost exceeds the Group's share of the net assets measured at their fair value is stated as goodwill. The non-controlling interests are valued either at cost (Partial Goodwill method) or at fair value (Full Goodwill method). The available option can be exercised on a case-by-case basis. BAUER Group policy is to apply the Partial Goodwill method. If the acquisition cost is less than the net assets of the acquired subsidiary measured at their fair value, the difference is recognized directly in the income statement. Transaction costs directly linked to a business combination are recognized in the income statement. In the event of successive acquisitions, the differences between the carrying amount and the applicable fair value of the shares previously held are recognized as affecting net income at the time of acquisition. Existing contracts with the acquired entity at the time of acquisition, except those under the terms of IAS 17 and IFRIC 4, are analyzed and reclassified where appropriate.

Borrowing costs

Borrowing costs linked directly to the acquisition, construction or production of qualifying assets in accordance with IAS 23 are included in the cost of the asset in question for the period until start of use of the asset. The underlying finance cost rate in the past financial year was between 2 percent and 6.76 percent (previous year: 6.80 percent). Testing as to whether an asset is a qualifying asset is carried out according to internally stipulated materiality limits for projects and installations. If the said materiality limits are exceeded, borrowing costs for qualified assets are capitalized. Other financing costs are recognized as ongoing expenditure under "Financial expenses".

Investment property

Land and buildings maintained in order to generate rental income are accounted for at amortized cost in accordance with IAS 40, with the useful lives applied for depreciation (straight-line according to the pro rata temporis method) corresponding to those of the property, plant and equipment used by the company itself. Valuations are carried out not by external valuers, but by extrapolation from current market prices of comparable properties.

Investments accounted for using the equity method

According to IAS 28, an associated company is any entity over which the investor has significant influence, though not control. This routinely means voting shares of between 20 and 50 percent.

Shares in associated companies are valued at-equity and recognized initially at cost. The Group's shares in associated companies include the goodwill created by the acquisition (less cumulative impairment).

The Group's share in the profits and losses of associated companies is reported in the income statement as from the time of acquisition. The share in changes in reserves is recorded in the Group reserves. The cumulative changes after acquisition are set off against the carrying amount of the investment. If the Group's share in the losses of an associated company is equal to or more than the Group's shareholding in the said associate, including other unsecured claims, the Group recognizes no additional losses, unless it has entered into obligations or made payments on behalf of the associated company.

Non-realized gains from transactions between Group companies and associated companies are eliminated according to the Group's share in the associated company. Non-realized losses are likewise eliminated, unless the transaction implies an impairment of the transferred asset.

Joint entities are a subgroup of joint ventures. Joint ventures are contractual agreements whereby two or more parties carry out an economic activity under a common management. Alongside joint entities valued at equity, joint ventures also encompass the activities jointly carried out and consortia.
The BAUER Group accounts for joint ventures in compliance with IAS 31 as follows: BAUER as a partner in a joint venture accounts for the assets at its disposal and the liabilities it itself incurs, as well as its own expenditures, and recognizes the income from such activities on a pro rata basis in its sales revenues.
Assets and liabilities of the joint ventures themselves produce pro rata results which are accounted for analogously to the at-equity method, and are stated under "Receivables from joint ventures" or "Liabilities to joint ventures" as appropriate.

Financial instruments

a) Primary financial instruments

In the BAUER Group, primary financial instruments are assigned as financial assets to the following categories:

- Loans and Receivables (LaR)
- Available-for-Sale (AfS)

The "Loans and Receivables" category includes current and non-current financial assets.
The "Available-for-Sale" category includes marketable securities as well as equity portions which are not consolidated or not recognized by the equity method. For those equity portions there is no active market, and no fair value can be reliably determined for them, so the shares are valued at cost. We have no intention of selling them.

Primary financial instruments as financial liabilities are assigned to the following category:

- Financial Liabilities Measured at Amortized Cost (FLAC) or Other Financial Liabilities

The "Financial Liabilities Measured at Amortized Cost" category includes liabilities to banks, trade payables as well as other current and non-current liabilities and current and non-current financial liabilities.

Receivables and liabilities in the "Financial Liabilities Measured at Amortized Cost" and "Loans and Receivables" categories are initially recognized at the applicable fair value, including transaction costs, and subsequently measured at amortized cost, applying the effective interest rate method. The amortized cost of a financial asset or liability is calculated, applying the effective interest rate method, from the historical cost less the repayments made, plus or less the cumulative amortization of any difference between the original amount and the amount repayable at the final due date, and also less depreciation and impairment or plus appreciation and value recovery adjustment.

In the case of current receivables and liabilities, the amortized cost always corresponds to the nominal amount, or the amount repayable. Cash and cash equivalents comprise credit balances with banks as well as petty cash stocks, and are valued at amortized cost.
In the case of a financial asset or liability which is not recognized in the income statement at fair value, initial valuation includes transaction costs directly attributable to acquisition of the financial asset or incurring of the financial liability. In the case of financial assets or liabilities recognized in the income statement at fair value, the initial fair-value valuation excludes the

transaction costs. Financial liabilities are derecognized when they have been paid or the obligation has been extinguished. Items are initially recorded on the performance date. If there are doubts as to the collectability of receivables, they are valued at amortized cost less appropriate single valuation allowances or a flat-rate allowance. Impairment of trade receivables is recognized when there are objective indications (such as disputed follow-up orders, missed payments or insolvencies) indicating that the amounts due will not be collectable in full. The impairment is entered in a value adjustment account and recognized in the income statement. The fair value option provided by IAS 39 was not exercised.

b) Derivative financial instruments

A derivative is a financial instrument or other contract:

- which varies in value based on changes in a specific interest rate, price of a financial instrument, commodity price, exchange rate, price or interest rate index, credit rating or credit index, or some similar variable, provided in the case of a non-financial variable the variable is not specific to one party to the contract;
- which requires no payment in return for acquisition, or one which, compared to other forms of contract expected to react similarly to changes in market conditions, is lower;
- or which is settled at a later date.

In the BAUER Group, free-standing derivative financial instruments are assigned as financial assets to the following category:

- Financial Assets Held for Trading (FAHfT)

Free-standing derivative financial instruments as financial liabilities are assigned to the following category:

- Financial Liabilities Held for Trading (FLHfT)

The free-standing derivative financial instruments of the "Financial Assets Held for Trading“ and "Financial Liabilities Held for Trading" categories include fair values of interest rate swaps, foreign exchange options, cross-currency swaps and foreign exchange forward contracts not included in hedge accounting or not meeting the hedge accounting conditions.

In the BAUER Group, derivative financial instruments (interest rate swaps, foreign exchange options, cross-currency swaps and foreign exchange forward contracts) are entered into solely to hedge against interest rate and currency risks. No deals are made without an underlying transaction.

In the case of derivatives included in hedge accounting, when hedging expected future transactions (cash flow hedges) the effective portion of the gain or loss from a hedging instrument is initially recognized in the shareholders' equity, taking into account deferred taxes, and is only recognized in the income statement when the underlying hedged transaction is realized. The ineffective portion of the hedge transaction is recognized in the income statement immediately. The derivative financial instruments are stated at their fair values as assets or liabilities. Changes in value of derivatives not forming part of a cash flow hedge are stated under other operating income or expenses in the case of foreign exchange forward contracts or options or, in the case of interest-rate swaps, are recognized in the income statement under financial expenses or income. The fair values of the foreign exchange forward contracts are defined on the basis of current reference prices, taking into account forward premiums and discounts. The fair values of the interest rate swaps are determined on the basis of discounted future payment flows, applying the market interest rates applicable to the respective residual terms of the derivatives. Items are initially recorded on the trading date.
Hedge accounting was applied in financial 2012.
The fair value option provided by IAS 39 was not exercised.

Inventories

Inventories of finished goods and work in progress and stock for trade, as well as raw materials and supplies, are measured at acquisition cost or cost of manufacture or at the lower net realizable value on the balance sheet date, in accordance with IAS 2.

The net realizable value is the estimated achievable selling price in the ordinary course of business less the estimated costs through to completion and the estimated necessary selling costs.

Raw materials and supplies are valued mainly at floating average cost.

Where the machinery and accessories classified as finished goods and stock for trade and primarily held for sale, are rented out for a short period as a secondary sales promotion measure, the following factors are considered in determining their net realizable values:

- Rental period
- Useful life of the machines
- Damage and inoperability

Where the net realizable value of previously written-down inventories has increased, corresponding value recovery adjustments are made. The cost of manufacture includes all direct costs of the manufacturing process. The level of impairment losses on inventories is explained in accordance with IAS 2 under "Inventories".

Construction contracts

Construction contracts are accounted for by the percentage of completion method in accordance with IAS 11.

The sales are recognized according to the progress of work based on the percentage of completion method. The applicable percentage of completion is determined according to the costs incurred (cost-to-cost method). Where the cumulative return (contract costs and pro rata result) exceeds the payments on account in individual cases, the construction contracts are recognized as assets under "Receivables from construction contracts (PoC)". If a negative balance remains after deduction of the payments on account, it is recognized as a liability under "Liabilities from construction contracts (PoC)". Expected losses on a contract are accounted for in full at the time they are identified, by adjustments to the valuation of any existing receivables or by the creation of a provision. Construction contracts undertaken in joint ventures are valued according to the percentage of completion method. Receivables from joint ventures also include the pro rata result from the contract. Expected losses are covered by write-downs or liabilities as appropriate, and are taken into account in the contract result.

Service concession arrangements

Service concession arrangements entailing an unconditional contractual right to receive a payment in accordance with IFRIC 12 are recognized separately under "Receivables from concession arrangements". The short-term portions of the receivables from concession arrangements are stated under "Other current financial assets". The receivables are allocated to the "Loans and Receivables" category and recognized at the present value of the remuneration payable. The annual interest due according to the effective interest rate method is recorded in the financial income.

Cash and cash equivalents

Cash and cash equivalents comprise cash and sight deposits with an original term of no more than three months.

Deferred taxes

In accordance with IAS 12, deferred taxes are taken into account in respect of variations between the valuations of assets and liabilities according to IFRS and their corresponding tax bases in the amount of the projected future tax charge or relief. In addition, deferred tax assets are recognized for future advantages arising from tax losses carried forward, provided it is probable that they will be realized.

Deferred taxes arising from temporary differences in connection with investments in subsidiaries and associated companies are recognized, unless the date of reversal of the temporary differences can be determined by the Group and it is likely that the temporary differences will not be reversed again in the foreseeable future because of this effect.

According to IAS 12.74, deferred tax assets and liabilities are to be offset if a legally enforceable right to set off current tax assets against current tax liabilities exists. Offsetting should also be carried out if the deferred tax assets and liabilities relate to income taxes levied by the same tax authority in respect of:

- either the same taxable entity or
- different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The tax expenditure for the period comprises current and deferred taxes. Taxes are reported in the income statement, unless they relate to items recognized directly in the shareholders' equity or in the other result. In this case the taxes are likewise recognized in the shareholders' equity or in the other result.

In Germany, deferred taxes are stated on the basis of corporation tax, the "solidarity surcharge" and trade tax, in a range of 27.5 to 31.6 percent (previous year: 28.08 percent). Outside Germany, tax rates of between 0.00 percent and 41.00 percent are applied (previous year: 0.00 and 41.00 percent).

Provisions

a) Defined benefit plans

Provisions for defined benefit plans are calculated according to the Projected Unit Credit method stipulated in IAS 19. In this method, not only the retirement benefits and vested rights known on the balance sheet date are taken into account, but also future expected increases in salaries and retirement benefits. Actuarial gains and losses are recognized as affecting net income over the average remaining service life of the employee where they exceed 10 percent of the higher of the defined benefit obligation or any plan assets. The current service costs are recognized in the staff costs, and the interest expenses of the allocation to provisions in the financial expenses.

b) Tax provisions

Tax provisions include liabilities from current income taxes. Income tax provisions are balanced against corresponding tax refund claims, provided they arise in the same tax territory and are identical in nature and in terms of due date.

c) Other provisions

The other provisions are created in accordance with IAS 37 where a present obligation arises from a past event, a relevant claim is more likely than unlikely, and the amount of the claim can be reliably estimated. The provisions are stated at their performance amount, and are not netted against profit contributions. Long-term provisions are recognized at present value. Provisions are created only for legal or constructive obligations to third parties.

Income and expenses

Sales revenues and other incomes are realized in accordance with IAS 18 on performance of the supply or service or on transfer of risk to the customer, as appropriate.
Dividend income is recognized at the date on which the right to receipt of payment is created. Dividends received are recognized as income from operating investments under "Other income". Operating expenses are recognized as affecting net income when the supply or service is claimed or at the time they are caused, as appropriate. Financial income and expenses are recognized when incurred.
Income from service contracts is recognized according to the degree of completion.

NOTES TO THE INCOME STATEMENT

5. SALES REVENUES

The sales revenues generated include revenues arising from application of the percentage of completion method in an amount of EUR 684,530 thousand (previous year: 597,452 thousand) and revenues from the sale and hiring-out of equipment and accessories in an amount of EUR 17,860 thousand (previous year: 24,897 thousand). With regard to the presentation and breakdown of sales revenues by operating segment and region, please refer to the notes on segment reporting (see item 34).

The sales revenues include a net value adjustment of EUR -6,270 thousand (previous year: 6,116 thousand). The net value adjustment is attributable to the Construction segment, where final invoices, for example, may include supplementary items which have not yet been finally negotiated with the customer and ordered. These may prove uncertain. Value adjustments (reductions for impairment) are made in respect of uncertain receivables and recorded under "Sales revenues". If the uncertain receivable is realized, the reduction for impairment is reversed. The reversal is likewise recorded under "Sales revenues". The net balance of the application and reversal of reductions for impairment in respect of uncertain receivables produces the aforementioned net value adjustment.
The application and reversal of reductions for impairment by the other segments is stated respectively under "Other income" and "Other operating expenses" as appropriate.

The main joint ventures relate to the following projects:

Project	BAUER share in %	Share of the contract in EUR '000	Share of revenue in the financial year in EUR '000
Tunnel Luise-Kiesselbach-Platz, Munich, Germany	25 %	35,833	11,983
ETS Konrad mine, Salzgitter, Germany	50 %	19,765	3,077
Barangaroo Stages 1 and 2, Sydney, Australia	60 %	17,830	10,594
Deep Bauer Foundations, Ontario, Canada	50 %	11,054	5,293
Mid Valley City Parcel 3, Kuala Lumpur, Malaysia	50 %	5,560	4,445
Erde Schleuse Wusterwitz joint venture, Wusterwitz, Germany	50 %	5,068	1,530
Excavation pit for the German National Opera in Berlin, Germany	50 %	3,912	1,980
Spoor & Stad Delft plant, Delft, Netherlands	42 %	2,772	199

6. OTHER CAPITALIZED GOODS AND SERVICES FOR OWN ACCOUNT

in EUR '000	2011	2012
Income from other capitalized goods and services for own account	31,375	24,249

7. OTHER INCOME

in EUR '000	2011	2012
Income from disposal of property, plant and equipment	4,863	3,716
Realized and unrealized foreign currency gains	10,492	9,412
Income from insurance refunds	2,234	2,812
Income from the reversal of liability provisions	6,631	3,311
Income from the reversal of reductions for impairment	2,476	3,258
Other income from rentals	351	601
Income from changes in fair values of foreign exchange forward contracts	181	1,017
Other operating income	17,795	15,420
Total	**45,023**	**39,547**

The realized and unrealized foreign currency gains stated under "Other income" totalling EUR 9,412 (previous year: 10,492 thousand) arose in connection with the global currency hedging strategy and the underlying currency postings. In this context, the income is countered by realized and unrealized foreign currency losses totalling EUR 11,393 (previous year: 10,844 thousand), stated under "Other operating expenses".
Additionally, the other operating income mainly comprises income from benefits in money's worth, income from the reversal of provisions, other reimbursements of expenditure as well as other income spread across the consolidated companies which is of minor importance in the individual instances.

8. COST OF MATERIALS

in EUR '000	2011	2012
Expenses for raw materials and supplies and purchased goods	446,989	439,929
Expenses for purchased services	225,818	246,905
Total	**672,807**	**686,834**

9. STAFF COSTS

The expenses for retirement benefits include the expenditure on benefits as well as the allocations to provisions for defined benefit plans excluding the interest portion, which is stated under "Interest and similar expenses".

in EUR '000	2011	2012
Wages and salaries	250,085	274,968
Social security contributions	43,861	46,644
Expenses for retirement benefits	4,815	3,982
Total	**298,761**	**325,594**

The employer's pension contributions in the financial year totalled EUR 19,158 thousand (previous year: 18,018 thousand). Of that total, EUR 16,097 (previous year: 15,964 thousand) was attributable to Germany and EUR 3,061 (previous year: 2,054 thousand) outside of Germany. The wages and salaries include severance payments in the amount of EUR 721 thousand (previous year: 732 thousand).

10. DEPRECIATION OF FIXED ASSETS

The impairment losses are broken down as follows:

in EUR '000	2011	2012
Depreciation of intangible assets	5,582	7,818
Depreciation of property, plant and equipment	60,705	68,585
Total	**66,287**	**76,403**

The impairment losses on fixed assets are explained under item 17.2, Property, plant and equipment and investment property.

11. IMPAIRMENT OF INVENTORIES DUE TO USE

Impairment of inventories due to use in the financial year totalled EUR 15,392 thousand (previous year: 15,909). This related to impairment of used machinery temporarily rented out to customers as sales promotion measures. Impairment of used machinery disposed of in the 2012 financial year is included in these figures.

12. OTHER OPERATING EXPENSES

in EUR '000	2011	2012
Losses from disposal of property, plant and equipment	569	1,093
Rents and leases	15,082	17,702
Energy, heating, water	6,811	8,861
Vehicle costs	4,533	5,558
Property, motor and transport insurance	10,503	9,450
Other operating expenses	26,924	30,262
Administrative expenses	27,088	31,715
Distribution costs	38,909	42,625
Other employee-related expenses	15,225	18,793
Realized and unrealized foreign currency losses	10,844	11,393
Impairment of receivables	6,031	2,594
Bank charges	3,191	3,235
Duties	4,184	2,948
Additional other operating expenses	21,127	24,011
Total	**191,021**	**210,240**

The "Other operating expenses" item has been broken down further in order to provide improved presentation. The previous year figures have been adjusted accordingly.

The "Additional other operating expenses" mainly comprise allocations to provisions affecting net income, losses from foreign exchange forward contracts as well as additional other operating expenses spread across the consolidated companies which are of minor importance in the individual instances. The other employee-related expenses include education and training costs, grants and gifts, travel and relocation expenses, and other project-specific personnel costs.

FINANCIAL RESULT

13. FINANCIAL INCOME

The financial income is broken down as follows:

in EUR '000	2011	2012
Income from operating investments	468	435
Other interest and similar income	6,039	5,484
Income from changes in fair values of interest rate swaps	117	53
Total	**6,624**	**5,972**

14. FINANCIAL EXPENSES

The financial expenses are broken down as follows:

in EUR '000	2011	2012
Interest and similar expenses	35,969	40,085
Losses from changes in fair values of interest rate swaps	1,731	1,464
Interest portions of allocations to provisions for defined benefit plans and similar obligations	3,002	3,108
Total	**40,702**	**44,657**

The interest from finance leases included under "Interest and similar expenses" in the financial year totalled EUR 1,255 thousand (previous year: 1.329 thousand). The financial result includes interest income from financial assets in an amount of EUR 5,481 (previous year: 6,036 thousand) as well as interest expenses from financial liabilities in an amount of EUR 38,830 (previous year: 34,619 thousand) which were not measured at fair value affecting profit and loss.

15. INCOME TAX EXPENSE

The income tax expense is broken down as follows:

in EUR '000	2011	2012
Actual taxes	14,756	10,520
Deferred taxes	-1,338	2,404
Total	**13,418**	**12,924**

The theoretical tax rate is 28.08 percent (previous year: 28.08 percent).

Reconciliation from expected to actual income tax expenditure

The expected tax expenditure is below (previous year: below) the recorded tax expenditure. The reasons for the difference between the expected and recorded tax expenditure are as follows:

in EUR '000	2011	2012
Profit before income tax	47,533	38,263
Theoretical tax expenditure 28.08 percent (previous year: 28.08 percent)	13,347	10,744
Differences in tax rate	-3,120	-5,247
Taxation effects of non-deductible expenses and tax-free income	1,064	3,829
Effects of variations in the tax calculation base	848	3,116
At-equity valuation of associated companies	193	-1,558
Out-of-period tax payments/refunds for previous years	-133	967
Effects of deferred tax assets in respect of losses carried forward and temporary differences	1,222	1,089
Other	-3	-16
Income tax expense	**13,418**	**12,924**

Internal disbursements result in taxation effects after December 31, 2012 totalling EUR 81 thousand (previous year: 62 thousand).

16. EARNINGS PER SHARE

The earnings per share are calculated by dividing the profit attributable to the shareholders of BAUER AG by the weighted average number of ordinary shares outstanding.

The earnings per share amount to the following values:

	2011	2012
Profit attributable to the shareholders of BAUER AG, in EUR '000	**31,933**	**24,309**
Number of shares from 01.01. to 31.12.	17,131,000	17,131,000
Weighted average number of shares in circulation in financial year (basic)	17,131,000	17,131,000
Weighted average number of shares in circulation in financial year (diluted)	17,131,000	17,131,000
Basic earnings per share in EUR	**1.86**	**1.42**
Diluted earnings per share in EUR	**1.86**	**1.42**

NOTES TO THE BALANCE SHEET

The breakdown of the fixed asset items summarized on the balance sheet and their development is presented in the fixed asset movement schedule on the following pages.

NON-CURRENT ASSETS

17. FIXED ASSETS

17.1 INTANGIBLE ASSETS

in EUR '000			Internally generated intangible assets		
Cost of purchase/cost of manufacturing	**Licences, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
01.01.2011	**20,598**	**1,610**	**1,089**	**22,476**	**45,773**
Change in scope of consolidation	0	0	0	0	**0**
Additions	2,078	276	0	9,775	**12,129**
Disposals	1,050	0	215	7,507	**8,772**
Transfers	1,197	0	0	-853	**344**
Currency adjustment	47	145	0	0	**192**
31.12.2011	**22,870**	**2,031**	**874**	**23,891**	**49,666**

in EUR '000			Internally generated intangible assets		
Accumulated amortization	**Licences, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
01.01.2011	**10,346**	**0**	**635**	**11,531**	**22,512**
Change in scope of consolidation	0	0	0	0	**0**
Additions	3,133	0	156	2,293	**5,582**
Disposals	1,050	0	215	7,506	**8,771**
Transfers	6	0	0	-6	**0**
Currency adjustment	40	0	0	0	**40**
31.12.2011	12,475	0	576	6,312	**19,363**
Carrying amount 31.12.2011	**10,395**	**2,031**	**298**	**17,579**	**30,303**

in EUR '000			Internally generated intangible assets		
Cost of purchase/cost of manufacturing	**Licences, software and similar rights and values**	**Goodwill**	**Capitalized software costs**	**Capitalized development costs**	**Total**
01.01.2012	**22,870**	**2,031**	**874**	**23,891**	**49,666**
Change in scope of consolidation	0	0	2	0	**2**
Additions	5,000	157	0	6,227	**11,384**
Disposals	1,074	0	285	3	**1,362**
Transfers	706	0	-2	34	**738**
Currency adjustment	-87	15	0	-1	**-73**
31.12.2012	**27,415**	**2,203**	**589**	**30,148**	**60,355**

in EUR '000			Internally generated intangible assets		
Accumulated amortization	Licences, software and similar rights and values	Goodwill	Capitalized software costs	Capitalized development costs	Total
01.01.2012	**12,475**	**0**	**576**	**6,312**	**19,363**
Change in scope of consolidation	0	0	0	0	**0**
Additions	3,780	0	124	3,914	**7,818**
Disposals	1,070	0	285	0	**1,355**
Transfers	17	0	0	-17	**0**
Currency adjustment	-38	0	0	0	**-38**
31.12.2012	15,164	0	415	10,209	**25,788**
Carrying amount 31.12.2012	**12,251**	**2,203**	**174**	**19,939**	**34,567**

Of the total research and development costs and patent costs incurred in 2012, EUR 6,558 thousand (previous year: 9,979 thousand) met the IFRS capitalization criteria. The following amounts were recognized in net income:

in EUR '000	2011	2012
Research costs and uncapitalized development costs	17,214	19,160
Amortization of development costs and patents	2,513	4,164
Research and development costs recognized in net income	**19,727**	**23,324**

In the course of annual impairment testing in line with IFRS 3 / IAS 36, the cash generating units (CGU) Exploration & Mining Services and Environment & Materials designated up until 2011 were consolidated to create a single over-arching CGU, the BAUER Resources Group. This was necessary because the synergies arising between the individual divisions – in particular with regard to acquisitions, the establishment of new entities, and large-scale projects – are now being fully utilized. As a consequence, the existing divisional structure has also been replaced by a functionally and regionally oriented matrix organization entailing a change in control of the entities concerned. This new CGU, the BAUER Resources Group, is allocated goodwill totalling EUR 2,203 (previous year: 2,031 thousand).

The values applicable to this unit at the balance sheet date correspond to the values in use resulting from the discounted future cash flows. They are determined on the basis of current planning calculations approved by the management over a five-year period. For the period of perpetual annuity the cash flows are updated with a growth rate of 1 percent (previous year: 1 percent). The discount rate for the future cash flows corresponds to the weighted average cost of capital rate (WACC). The after-tax discount record for the BAUER Resources Group is 8.2 percent (previous year: 8.1 percent); the pre-tax rate applied is 11.0 percent (previous year: 9.7 and 12.8 percent).

A comparison of the values in use of the CGUs with the corresponding carrying amounts, including goodwill, resulted in no need for a write-down. As a supplementary measure to the impairment test, a number of appropriate stress tests were carried out. If the WACC had been 1 percentage point higher on the valuation date, or if no growth had been assumed for the period of perpetual annuity, no impairment expenditure would have been incurred, as in the previous year. Only by accumulating the two alternatives would an impairment in an amount of EUR 13,772 thousand have been produced.

17.2 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

in EUR '000 Cost of purchase/ cost of manufacturing	Land and buildings	Investment property	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and assets in course of construction	Total
01.01.2011	**266,283**	**3,212**	**399,852**	**61,234**	**7,178**	**737,759**
Change in scope of consolidation	0	0	-736	3	0	**-733**
Additions	6,361	4	71,524	9,897	8,847	**96,633**
Disposals	106	0	30,903	5,434	3,589	**40,032**
Transfers	8,229	-1,342	-621	150	-6,759	**-343**
Currency adjustment	791	0	2,402	200	-19	**3,374**
31.12.2011	**281,558**	**1,874**	**441,518**	**66,050**	**5,658**	**796,658**

in EUR '000 Accumulated depreciation	Land and buildings	Investment property	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and assets in course of construction	Total
01.01.2011	**66,812**	**1,076**	**196,276**	**31,858**	**0**	**296,022**
Change in scope of consolidation	0	0	0	1	0	**1**
Additions	8,490	44	43,210	8,961	0	**60,705**
Disposals	86	0	17,651	4,138	0	**21,875**
Transfers	244	-244	-1	1	0	**0**
Currency adjustment	247	0	2,737	249	0	**3,233**
31.12.2011	**75,707**	**876**	**224,571**	**36,932**	**0**	**338,086**
Carrying amount 31.12.2011	**205,851**	**998**	**216,947**	**29,118**	**5,658**	**458,572**
of which finance lease, carrying amount 31.12.2011	3,799	0	19,997	2,677	0	26,473

in EUR '000 Cost of purchase/ cost of manufacturing	Land and buildings	Investment property	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and assets in course of construction	Total
01.01.2012	**281,558**	**1,874**	**441,518**	**66,050**	**5,658**	**796,658**
Change in scope of consolidation	0	0	4,985	78	0	**5,063**
Additions	4,671	1	53,344	9,193	29,181	**96,390**
Disposals	5,192	0	31,866	5,871	377	**43,306**
Transfers	6,639	5	4,221	2	-11,606	**-739**
Currency adjustment	-365	2	-3,612	-408	158	**-4,225**
31.12.2012	**287,311**	**1,882**	**468,590**	**69,044**	**23,014**	**849,841**

in EUR '000 Accumulated depreciation	Land and buildings	Investment property	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and assets in course of construction	Total
01.01.2012	**75,707**	**876**	**224,571**	**36,932**	**0**	**338,086**
Change in scope of consolidation	0	0	1,331	49	0	**1,380**
Additions	9,091	44	49,856	9,594	0	**68,585**
Disposals	301	0	15,001	5,088	0	**20,390**
Transfers	1	0	-95	94	0	**0**
Currency adjustment	-102	1	-2,764	-271	0	**-3,136**
31.12.2012	**84,396**	**921**	**257,898**	**41,310**	**0**	**384,525**
Carrying amount 31.12.2012	**202,915**	**961**	**210,692**	**27,734**	**23,014**	**465,316**
of which finance lease, carrying amount 31.12.2012	3,483	0	18,359	3,893	0	25,735

The changes to the scope of consolidation mainly comprise assets arising from the acquisition of GWE Tubomin S.A. An amount of EUR 917 thousand is attributable solely to property, plant and equipment. In respect of buildings and equipment leased by way of finance lease agreements purchase options exist, which will be exercised. The interest rates applied to the leases vary, according to the market and date of signing, between 2.46 percent and 8.13 percent (previous year: 2.01 and 8.67 percent). The future lease payments due at their present values are shown in the following table:

in EUR '000	Remaining term 2011				Remaining term 2012			
	under 1 year	1 to 5 years	over 5 years	Total	under 1 year	1 to 5 years	over 5 years	Total
Minimum lease payments	9,653	18,868	585	29,106	10,043	17,998	0	28,041
Interest portions	1,332	1,766	26	3,124	1,254	1,811	0	3,065
Present value	**8,321**	**17,102**	**559**	**25,982**	**8,789**	**16,187**	**0**	**24,976**

The investment properties have a fair value of EUR 974 thousand (previous year: 1,056 thousand) and in 2012 were all rented out. This primarily relates to a hotel owned by SCHACHTBAU NORDHAUSEN GmbH which is rented out to third parties and is being written down over a period of 48 years. SCHACHTBAU NORDHAUSEN GmbH is also committed to a maintenance contract in respect of the property. The asset value recognized is based not on external valuation, but on current market prices.

In the period under review rental income in an amount of EUR 60 thousand (previous year: 64 thousand) was generated, to which direct operating expenses totalling EUR 15 thousand (previous year: 15 thousand) are attributable.
Property, plant and equipment with a carrying amount of EUR 181,657 thousand (previous year: 167,490 thousand) is subject to charges in the form of land charges and assignment. In addition, the usual commercial restrictions on right of disposal exist in respect of leased assets, attributable to the Group in accordance with IAS 17 (finance lease agreements), totalling EUR 25,735 thousand (previous year: 26,473 thousand).
In the 2012 financial year Olbersdorfer Guß GmbH was awarded investment subsidies for the extension of its production facilities in an amount of EUR 83 thousand (previous year: 87) and GWE pumpenboese GmbH was awarded EUR 224 thousand (previous year: 0). All conditions necessary for allocation of the investment subsidies were met on the balance sheet date.

Borrowing costs totalling EUR 151 thousand (previous year: 36 thousand) were capitalized as property, plant and equipment in the financial year. The underlying finance cost rate in the past financial year was between 2 percent and 6.76 percent (previous year: 6.80 percent).

Total impairment losses on fixed assets in the financial year were EUR 706 thousand (previous year: 630 thousand). Of that figure, EUR 33 thousand (previous year: 181 thousand) was attributable to the Construction segment, EUR 525 thousand (previous year: 446 thousand) to the Equipment segment and EUR 148 thousand (previous year: 3 thousand) to the Resources segment. Of the total, intangible assets accounted for EUR 525 thousand (previous year: 117 thousand). Owing to modifications still needed prior to the sale of the TBA 200, impairment of EUR 400 thousand was recognized in respect of design detailing to date. Most of the impairment losses on property, plant and equipment totalling EUR 181 thousand (previous year: 513 thousand) relates to technical equipment and machinery.

Investments accounted for using the equity method and participations

in EUR '000 Cost of purchase/cost of manufacturing	Investments accounted for using the equity method	Participations	Total
01.01.2011	**10,792**	**4,444**	**15,236**
Change in scope of consolidation	0	0	**0**
Additions	652	0	**652**
Disposals	2,655	0	**2,655**
Transfers	0	0	**0**
Currency adjustment	14	-1	**13**
31.12.2011	**8,803**	**4,443**	**13,246**

in EUR '000 Accumulated depreciation	Investments accounted for using the equity method	Participations	Total
01.01.2011	**0**	**816**	**816**
Change in scope of consolidation	0	0	**0**
Additions	0	0	**0**
Disposals	0	0	**0**
Transfers	0	0	**0**
Currency adjustment	0	0	**0**
31.12.2011	**0**	**816**	**816**
Carrying amount 31.12.2011	**8,803**	**3,627**	**12,430**

in EUR '000 Cost of purchase/cost of manufacturing	Investments accounted for using the equity method	Participations	Total
01.01.2012	**8,803**	**4,443**	**13,246**
Change in scope of consolidation	0	0	**0**
Additions	5,562	33	**5,595**
Disposals	1,235	0	**1,235**
Transfers	0	-22	**-22**
Currency adjustments	3	0	**3**
31.12.2012	**13,133**	**4,454**	**17,587**

in EUR '000 Accumulated depreciation	Investments accounted for using the equity method	Participations	Total
01.01.2012	**0**	**816**	**816**
Change in scope of consolidation	0	0	**0**
Additions	0	0	**0**
Disposals	0	0	**0**
Transfers	0	0	**0**
Currency adjustments	0	0	**0**
31.12.2012	**0**	**816**	**816**
Carrying amount 31.12.2012	**13,133**	**3,638**	**16,771**

The following table presents aggregated data relating to the associate companies included in the consolidated financial statements based on the equity method. The balance sheet figures do not relate to the shares attributable to the BAUER Group, but rather reflect a notional 100 percent shareholding.

Aggregated data relating to associated companies consolidated at equity:

in EUR '000	2011	2012
Assets (31.12.)	144,725	172,749
Shareholders' equity (31.12.)	26,026	40,447
Liabilities (31.12.)	118,699	132,302

in EUR '000	2011	2012
Sales revenues	22,976	23,986
Net profit for year	312	5,549

18. DEFERRED TAXES

The deferred tax assets and liabilities are distributed across the following balance sheet items:

in EUR '000	31.12.2011	31.12.2012	31.12.2011	31.12.2012
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	18	12	5,753	7,846
Property, plant and equipment	1,215	228	15,684	8,917
Inventories	1,572	1,671	770	1,425
Receivables and other assets	885	536	539	925
Defined benefit plans	2,509	2,637	40	29
Liabilities	5,893	6,162	573	4,842
Hedge accounting	1,464	1,515	975	523
Tax losses carried forward	14,824	14,118	0	0
Consolidation	3,397	3,762	4,418	5,300
Offsetting	-15,790	-10,410	-15,790	-10,410
Net amount	**15,987**	**20,231**	**12,962**	**19,397**

Current deferred tax assets excluding losses carried forward totalled EUR 5,760 thousand (previous year: 3,250 thousand); deferred tax liabilities totalled EUR 6,362 (previous year: 1.911 thousand).

The tax losses carried forward at the year-end are broken down as follows:

in EUR '000	31.12.2011	31.12.2012
Domestic losses (corporation tax)	65,484	65,975
Foreign losses	24,472	21,507
Total	**89,956**	**87,482**
Of which losses carried forward deductible for limited periods	14,605	10,557

Based on our medium-term earnings planning, losses carried forward totalling EUR 36,122 thousand (previous year: 39,438 thousand) were not usable for tax purposes.
Current deferred tax assets against losses carried forward in the financial year totalled EUR 1,664 thousand (previous year: 1,476 thousand).

In connection with interests in subsidiaries and associated companies, temporary differences totalling EUR 1,497 thousand (previous year: 1,621 thousand) exist for which no deferred tax liabilities were recognized.

19. RECEIVABLES FROM CONCESSION ARRANGEMENTS

BAUER Nimr LLC ("Bauer") signed a contract with Petroleum Development Oman LLC ("the customer") on November 28, 2008 relating to water treatment ("the service"). In performance of the service, Bauer is constructing a plant which it will subsequently operate. Bauer is being paid a fixed amount to operate the plant. According to the agreement, Bauer is obligated to comply with the general standards applicable in the oil and gas industry in constructing and operating the plant, unless otherwise stipulated in the contract.
Bauer is further obligated to allow the customer to conduct any necessary inspection and testing. The costs of this are to be borne by the customer.
At the end of the service performance period, Bauer is required by the customer to dismantle the plant and recultivate the site (for a fee). The agreement also provides the customer with a purchase option at a price yet to be agreed.
The contract runs for a term of 20 years, with an option to extend by a further five years. Bauer is entitled to cancel the contract at any time by means of written notice to the customer. If the contract is cancelled by the customer before the agreed term expires – provided the cancellation is not as a result of bad or failed performance, or insolvency of the operator – the customer is obligated to pay compensation.
The pricing incorporates an additional component linked to conditions giving grounds for postponement, though such conditions were not met as per the balance sheet date.
The customer undertakes to supply Bauer with a daily minimum of 45,000 m^3 of water for treatment. If the customer supplies less water, Bauer receives a compensation payment, which may be offset by over-supply quantities in the subsequent months.

On May 10, 2011 Bauer signed a contract extension with the customer providing for an increase in the customer's supplies of water for treatment by 45,000 cubic metres.

The receivables from concession arrangements developed as follows:

in EUR '000	31.12.2011	31.12.2012
At 01.01.	**45,874**	**43,975**
Interest income from financial asset	1,819	2,231
Currency adjustment	391	-873
Payment of contract costs	-4,109	-4,563
At 31.12.	**43,975**	**40,770**
of which with a remaining term of 1 to 5 years	9,708	9,525
of which with a remaining term of over 5 years	34,267	31,245

The current portion of the receivables from concession arrangements is EUR 2,381 thousand (previous year: 2,421 thousand) and is stated under "Other current financial assets".
The financial income from concession arrangements in the financial year totalled EUR 2,231 thousand (previous year: 1,819 thousand). The discount rate in the past financial year was 4.80 percent (previous year: 4.05 percent).

The financial income is included in the interest income from financial assets.

20. OTHER NON-CURRENT ASSETS

The other non-current assets comprise the following items:

in EUR '000	31.12.2011	31.12.2012
Claims from backup insurance	4,683	4,862
Sundry other non-current assets	5,615	3,735
Total	**10,298**	**8,597**

The additional other non-current assets were recognized at an effective interest rate in a span of 5 to 8.25 percent (previous year: 7 to 9 percent) and mainly comprise non-current portions of trade receivables.
They also include assets arising from continuing involvements totalling EUR 1,552 thousand (previous year: 2,064 thousand).
The other non-current assets were neither impaired nor overdue in the year under review, as in the previous year.

21. OTHER NON-CURRENT FINANCIAL ASSETS

The other non-current financial assets comprise the following:

in EUR '000	Remaining term 31.12.2011		Remaining term 31.12.2012	
	1 to 5 years	over 5 years	1 to 5 years	over 5 years
Sundry other non-current financial assets	6,205	0	6,846	0
Total	**6,205**	**0**	**6,846**	**0**

The derivatives are presented in item 36 under "Other disclosures". The other non-current financial assets were neither impaired nor overdue in the year under review, as in the previous year.

CURRENT ASSETS

22. INVENTORIES

The inventories comprise the following items:

in EUR '000	31.12.2011	31.12.2012
Raw materials and supplies	153,244	152,782
King piles and sheet piles	1,747	1,617
Finished goods and work in progress and stock for trade	312,148	275,395
Total *	**467,139**	**429,794**

* The presentation of payments on account for inventories has been adjusted in accordance with IAS 1.78. The previous year's figures have been adjusted accordingly.

Of the inventories, EUR 131,913 thousand (previous year: 152,728 thousand) are stated at net sale value.
The impairment losses on inventories against the net realizable value affecting net expenditure in the financial year totalled EUR 21,460 thousand (previous year: 24,698 thousand).

They are broken down as follows:

in EUR '000	31.12.2011	31.12.2012
Write-downs of inventories due to use	15,909	15,392
Impairment losses on inventories	8,789	6,068
Total	**24,698**	**21,460**

Significantly fewer used machines were rented out in the year under review on average than in the previous year. Write-downs of used machinery due to use therefore decreased from EUR 15,909 thousand to EUR 15,392 thousand.

The impairment losses on inventories include both impairment losses on new and used machinery (stated under "Changes in inventories") and on warehouse inventories (stated under "Cost of materials"). Most of the impairment losses relate to the machinery which was not rented out, and are attributable to the Equipment segment.

The finished goods and merchandise include machinery and accessories produced internally by the Equipment segment and intended primarily for sale.

We differentiate essentially between two forms of machinery and accessories (referred to in the following as "machinery"):

New machines

These are machines manufactured in the financial year or in earlier years which are available for sale but have not yet been rented out. These machines are valued at manufacturing cost or at the lower net realizable value on the balance sheet date.

Used machines

Used machines are machines which are primarily up for sale and which have been temporarily rented out as a secondary sales promotion measure during the financial year or in earlier years. New machines automatically become used machines the first time they are rented out.

When hiring out machinery, the net realizable value is determined from the manufacturing cost less the write-downs due to use and impairment losses on inventories.

In the case of a new machine, or a used machine which has not been rented out, the reduction in value against the net realizable value is recognized by means of an impairment loss.

The sale and hire of machinery relates solely to the Equipment segment.

The following chart sets out the carrying amount before impairment of the used machinery and accessories along with the rate of hire status on the balance sheet date:

in EUR '000	31.12.2011	31.12.2012
Carrying amount of used machines	109,260	85,748
of which hired out	50,546	31,489
of which not hired out	58,714	54,259

In the financial year, apart from the usual retentions of title, inventories totalling EUR 5,393 thousand (previous year: 6,262 thousand) were provided as security for loans. The securities provided can only be claimed by the lending banks in the event of definitive failure to fulfil contractual obligations, such as defaulting on interest and loan payments or failure to meet agreed financial targets. No claims on securities provided are foreseeable.

23. RECEIVABLES AND OTHER ASSETS

Construction contracts

The construction contracts measured according to the percentage of completion method developed as follows:

in EUR '000	31.12.2011	31.12.2012
Order costs incurred (plus profits, less losses) for projects not yet completed	323,679	461,434
less down-payments	247,791	375,018
Balance	**75,888**	**86,416**
of which: Receivables from construction contracts (PoC)	89,501	116,398
of which: Liabilities from construction contracts (PoC)	13,613	29,982

Development of receivables and other assets

The receivables and other assets comprise the following:

in EUR '000	31.12.2011	31.12.2012
Receivables from construction contracts (PoC)	89,501	116,398
Trade receivables	255,102	264,216
Receivables from joint ventures	2,240	4,922
Receivables from enterprises in which the company has participating interests	87	344
Payments on account *	3,507	2,825
Other current assets	56,098	47,719
Other current financial assets	6,273	12,412
Total	**412,808**	**448,836**

* The presentation of payments on account for inventories has been adjusted in accordance with IAS 1.78. The previous year's figures have been adjusted accordingly.

In financial 2011, BAUER Maschinen GmbH sold export receivables covered by credit insurance totalling EUR 18,717 thousand to third parties as part of a forfaiting agreement.

BAUER Maschinen GmbH retained the late-payment risk and – to a minor extent – the default and exchange rate risk arising from the sale. The remaining risk is to be accounted for as "Continuing involvement" in accordance with IAS 39.

The continuing involvement as per the balance sheet date was EUR 1,552 thousand (previous year: 2,064 thousand) and is stated under "Other non-current assets". It comprises the maximum amount of the remaining risk which BAUER Maschinen GmbH would have to pay to the buyer.

The corresponding liability amounts to EUR 1,707 thousand (previous year: 2,270 thousand) and is stated under "Other non-current liabilities". The difference reflects the fair value of the guarantees resulting from the remaining risk and the servicing, and is recognized in net income.

The following table presents the changes in value adjustments to current trade receivables:

in EUR '000	31.12.2011	31.12.2012
Value adjustments at start of financial year	75,237	68,184
Change in scope of consolidation	0	0
Currency adjustment	73	-124
Allocation	11,255	19,556
Reversal	13,815	17,166
Consumption	4,566	6,946
Value adjustments at end of financial year	**68,184**	**63,504**

The value adjustment for foreseeably uncollectable trade receivables of EUR 63,504 thousand (previous year: 68,184 thousand) was calculated taking into account individual risks and on the basis of past experience in relation to payment default. Value adjustments were applied in respect of individual claims as well as on a portfolio flat-rate basis. The individual value adjustments were translated into flat-rate percentages spread across the age structure of the receivables. Within the individual value adjustments, 100 percent of the claim receivable was usually adjusted. The calculation of value adjustments in respect of uncertain receivables is based to a large extent on estimates and assessments of individual claims, incorporating considerations of the creditworthiness and late-payment record of the customer concerned as well as current economic trends and historical experience in relation to default.

In financial 2012, receivables from construction contracts were subject to impairment totalling EUR 3,216 thousand (previous year: 0).

The following table presents an analysis of the due dates of gross carrying amounts of trade receivables:

in EUR '000	Carrying amount 31.12.2011	Carrying amount 31.12.2012
Trade receivables (gross carrying amount)	323,286	327,720
Value adjustments in respect of trade receivables	68,184	63,504
Trade receivables (net carrying amount)	255,102	264,216
of which neither impaired nor overdue at closing date	123,818	99,172
of which not impaired at closing date and overdue in the following time bands:	131,284	165,044
- less than 30 days	38,748	35,345
- between 30 and 60 days	19,473	35,286
- between 60 and 90 days	14,745	14,466
- more than 90 days	58,318	79,947

With regard to the trade receivables which were neither impaired nor delayed in payment, there were no indications at the balance sheet date that the debtors concerned will not fulfil their payment obligations. Credit ratings are derived from an active system of claims management with reference to the relevant credit history and from continuous monitoring of the creditworthiness of our customers based on information obtained from both internal and external sources.
The other current assets were neither impaired nor overdue in the year under review, as in the previous year. They mainly comprise miscellaneous tax refund claims and claims against employees and against welfare benefit funds as well as accrued interest and insurance premiums and other prepayments and deferred charges.
A total of EUR 2,279 thousand (previous year: 1,489 thousand) in monetary assets were pledged as securities against loans. These related to assignment of property. The current portion of the receivables from foreign exchange forward contracts included in the current financial assets in the financial year totalled EUR 1,593 thousand (previous year: 185 thousand).

The payments on account for intangible assets shown under "Other current assets" totalled EUR 0 thousand (previous year: 88 thousand) in the year under review. In the 2012 financial year impairment totalled EUR 22,772 thousand (previous year: 11,255 thousand).

24. CASH AND CASH EQUIVALENTS

The cash and cash equivalents totalling EUR 45,232 thousand (previous year: 24,947 thousand) include credit balances at banks and petty cash stocks.

25. SHAREHOLDERS' EQUITY

The shareholder structure of BAUER AG is as follows:

in EUR '000	31.12.2011		31.12.2012	
	%	in EUR '000	%	in EUR '000
Bauer family	48.19	35,182	48.19	35,182
Free float	51.81	37,819	51.81	37,819
Total	**100.00**	**73,001**	**100.00**	**73,001**

With regard to the disclosures relating to shares held in BAUER AG, refer to the Notes to the annual financial statements of BAUER AG as per December 31, 2012 published in the German Federal Gazette ("Bundesanzeiger").

Composition of subscribed capital

The subscribed and fully paid-up capital (share capital) of BAUER AG totals EUR 73,001,420.45 and is divided into 17,131,000 no-nominal-value bearer shares, representing a pro rata amount of approximately EUR 4.26 per share of the total share capital. The shares have no nominal value. Each share entails equal rights, and entitles the holder to one vote at the Annual General Meeting, with the exception of share categories precluded from voting by law pursuant to section 136 of the German Stock Corporation Act (AktG) and section 28 of the German Securities Trading Act (WpHG).

As in the previous year, 51.81 percent of the shares were in free float. The members of the Bauer family own a total of 8,256,146 no-nominal-value shares in BAUER AG on the basis of a pool agreement, representing a 48.19 percent share in the company. The pool agreement provisions include binding voting commitments as well as a right of pre-emption of pool participants if any member of the pool sells shares to third parties. No other direct or indirect holdings of BAUER AG share capital exceeding 10 percent of the voting rights are known to the company.

None of the shareholders has special rights entailing controlling powers. Nor does any voting rights control exist on the part of the employees holding shares in the capital.

Authority of the Management Board to issue or buy back shares

Section 4, subsection 4 of the company's Articles of Association Board states that the Management Board is authorized, with the consent of the Supervisory Board, to increase the share capital once or more than once up to June 27, 2017 by up to a total of EUR 7.3 million by the issue of new no-nominal-value bearer shares against cash and/or non-cash contributions (2012 authorized capital). To that end, the Management Board is authorized, with the consent of the Supervisory Board, to exclude the legal subscription rights of shareholders in the following cases:

- in the event of capital increases against non-cash contributions;
- in the event of capital increases against cash contributions where the issue amount of the new shares issued is not materially below the market price of the already quoted shares at the time of definitive setting of the issue price and the shares issued excluding shareholders' subscription rights pursuant to section 186, subsection 3, clause 4 AktG 3 do not in total exceed 10 percent of the existing share capital either at the time this authority takes effect or at the time of exercising this authority. Shares which have been sold or issued, or which are to be issued, in direct or corresponding application of section 186, subsection 3, clause 4 AktG while this authority is in place until such time as it is exercised, pursuant to other authorities, excluding subscription rights, are to be set off against the said limit;
- to balance out fractional amounts.

By resolution of the Ordinary Annual General Meeting held on June 24, 2010, the company was authorized to acquire treasury stock, over a limited period up to June 23, 2015, representing up to a total of 10 percent of the company's share capital at the time the resolution was passed. The shares shall be acquired at the discretion of the Management Board by means of a public tender offer or by way of the stock market. If the acquisition is effected by way of the stock market, the acquisition price (excluding ancillary costs) may be no more than 10 percent above or 20 percent below the price determined by the opening auction on the trading day for shares in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange. If the acquisition is effected by means of a public tender offer, the purchase price or the limits of the purchase price span per share (excluding ancillary costs) may be no more than 10 percent above or 20 percent below the average of the closing prices per share in the company in Xetra trading (or a comparable successor system) on the three trading days prior to the day of issue of the public tender offer. If not insignificant variations of the decisive share price occur after the day of issue of the public tender offer, the purchase price may be adjusted.

The Management Board shall be authorized to appropriate shares in the company acquired pursuant to the above authorizations for all legally admissible purposes. Consequently, the acquired shares may also in particular be sold by means other than by way of the stock market or by means of an offer to the shareholders, if the shares are sold for cash at a price (excluding ancillary costs) not materially below the price determined by the opening auction on the trading day for shares in the company in Xetra trading (or a comparable successor system). The shares may also be sold in return for non-cash payment, provided this is done for the purpose of effecting company mergers or acquiring companies, parts of companies, shareholdings in companies or other assets. The aforementioned shares may be redeemed without need of a further Annual General Meeting in order to approve the redemption or its execution. With regard to use of the bought-back shares, the authorization provides, in specific cases, for legal rights of subscription of shareholders to be excluded. The facility to acquire treasury stock has not been utilized to date.

The Supervisory Board is authorized to amend Article 4 of the Articles of Association accordingly following complete or partial execution of the increase in share capital or on expiration of the period of authority.

The remaining shareholders' equity of the BAUER Group developed as follows:

in EUR '000	31.12.2011	31.12.2012
I. Capital reserve	38,404	38,404
II. Other revenue reserves and net earnings available for distribution	325,309	338,272
	363,713	**376,676**
III. Minority interests	33,720	33,398
Total	**397,433**	**410,074**

ADDITIONAL DISCLOSURES REGARDING CAPITAL MANAGEMENT

The object of Bauer's capital management is to safeguard a strong financial profile. In particular, it aims to provide shareholders with appropriate dividend payments and to safeguard servicing of capital on behalf of lenders. We also aim to provide ourselves with adequate financial resources to sustain our growth strategy. The risk profile is actively managed and monitored. This is based primarily on key indicators such as equity ratio, net debt and profit after tax (net profit).

The key indicators are presented below:

in EUR '000	31.12.2011	31.12.2012
Shareholders' equity	470,434	483,075
Equity ratio	31.6 %	31.8 %
Net profit or loss	34,115	25,339
Net debt	644,637	610,395
Financial indebtedness	669,584	655,627
Liquid funds	24,947	45,232
Net debt/EBITDA	3.92	3.74
EBITDA/net interest coverage	4.76	4.17

As part of the capital management strategy covering the subsidiaries of the BAUER Group, it is ensured that member companies are provided with an equity base in line with local requirements. Our aim in doing this is to provide the necessary flexibility in terms of finance and liquidity. In the year under review all externally imposed capital covenants were fulfilled. In this context we refer to the "Earnings, financial and net asset position" section of the consolidated financial statements.

NON-CURRENT LIABILITIES

26. NON-CURRENT LIABILITIES

The non-current portions of the liabilities comprise the following:

in EUR '000	Remaining term 31.12.2011		Remaining term 31.12.2012	
	1 to 5 years	over 5 years	1 to 5 years	over 5 years
Liabilities to banks	260,624	94,547	370,608	55,578
Liabilities from finance lease agreements	17,102	559	16,187	0
Other non-current liabilities *	11,590	0	8,674	0
Other non-current financial liabilities	10,293	4,476	15,542	7,170
Total	**299,609**	**99,582**	**411,011**	**62,748**

* Previous year figures adjusted. Based on new findings, EUR 874 thousand was transferred from "Other non-current liabilities" to provisions for defined benefit plans.

in EUR '000	Fair value		Interest rate margin	
	31.12.2011	31.12.2012	31.12.2011	31.12.2012
Liabilities to banks	266,912	346,001	0.40 – 7.64 %	0.90 – 7.86 %
Liabilities from finance lease agreements	17,661	16,187	2.01 – 8.67 %	2.46 – 8.13 %
Other non-current financial liabilities	14,144	21,693	1.39 – 7.50 %	1.70 – 7.50 %
Total	**298,717**	**383,881**	---	---

The other non-current liabilities include non-current portions of liabilities from obligations in respect of part-time retirement and service anniversary payments, trade payables, liabilities from continuing involvements, and a provision for the residual resultant risk.

The other non-current financial liabilities mainly comprise the fair values of the derivatives as well as other liabilities to finance companies and convertible bonds (see the Notes to the financial instruments in section 36).

27. DEFINED BENEFIT PLANS

For employees of some Group companies retirement plans are provided on the basis of direct or indirect defined benefit plans. These are regularly based on the time employees have worked for the company and on their remuneration, or on fixed pension commitments not linked to pay.

The defined benefit liabilities are measured on an actuarial basis according to the Projected Unit Credit method, taking account of future developments.

The calculations are based on the following actuarial assumptions:

in %	31.12.2011			31.12.2012		
	Germany	Indonesia	Philippines	Germany	Indonesia	Philippines
Interest rate	4.9	9.0	7.8	3.6	5.6	7.8
Rate of salary increase	3.0	8.0	3.0	3.0	10	3.0
Rate of pension increase	2.0	-	-	2.0	-	-
Investment income of plan assets	1.6	-	-	1.6	-	-

As the fluctuation rate, a probability of fluctuation, declining by age, of 5 percent p.a. (previous year: 5 percent p.a.) was assumed across the entire workforce. No fluctuation among employees aged 55 or over was assumed. Outside of Germany, the underlying biometric probability of death is based on published national statistics and empirical data. In Germany the 2005G Graduated Life Tables compiled by Klaus Heubeck are applied.

In financial 2012 the pensions regulator modified the interest calculation procedure owing to the reduced number of AA-rated bonds and the resultant fall in interest level.

The reduction in the discounting factor was the main reason for the increase in actuarial losses.

Pursuant to a judgement by the Federal Labour Court, the German companies utilized the option to switch defined benefit plans to individualized standard age limits (at present 67 for employees born in 1964 or later) and recalculated their provisions for defined benefit plans accordingly. This led to a reduction in the respective pension commitments in the valuation to December 31, 2012 in individual cases c.p. (EUR -1,537 thousand).

Calculation of provisions for defined benefit plans and similar obligations:

in EUR '000	31.12.2011	31.12.2012
Present value of pension claims financed by a fund	1,740	2,164
less applicable fair value of plan assets	-198	-212
Present value of pension claims not financed by a fund	63,911	80,013
Adjustment amount based on (non-allocated) actuarial gains/losses	-12,918	-28,222
Provisions for defined benefit plans and similar obligations	**52,535**	**53,743**

The defined benefit obligation has developed as follows in the financial year:

in EUR '000	31.12.2011	31.12.2012
Start of year *	58,838	65,651
Currency adjustment	0	-51
Current service costs *	1,213	1,420
Interest expenses	3,002	3,108
Adjustment of retirement age	0	-1,537
Actuarial (gains)/losses	4,419	15,550
Payments made	-1,821	-1,965
Other effects	0	1
End of year *	**65,651**	**82,177**

* Previous year figures adjusted. Based on new findings, EUR 874 thousand was transferred from "Other non-current liabilities" to provisions for defined benefit plans.

Development of plan assets:

in EUR '000	31.12.2011	31.12.2012
Applicable fair value of plan assets at start of financial year	188	198
Actual income from plan assets	2	5
Contributions	8	9
Applicable fair value of plan assets at end of financial year	**198**	**212**

The plan is in the form of a backup insurance policy.

The actual income from plan assets totals EUR 5 thousand (previous year: 2 thousand). The actual return achieved is 2.5 percent (previous year: 1.1 percent). The projected unit credit indicates the pension claims of the employees according to the conditions applying at the balance sheet date. By contrast, the provision is created on the basis of actuarial assumptions which ignore reference date-related fluctuations within the limits stipulated by IAS 19 (+/- 10 percent of the projected unit credit). Of the provisions for defined benefit plans and similar obligations, EUR 1,884 thousand (previous year: 1,803 thousand) is payable within one year.

The amounts recorded in the result are calculated as follows:

in EUR '000	31.12.2011	31.12.2012
Current service costs	1,213	1,420
Actuarial (gains)/losses	267	605
Benefit entitlements to former staff (vested pension claims)	0	-1,898
Interest costs for vested claims	3,002	3,108
Projected income from plan assets	-3	-3
Net periodic pension costs	**4,479**	**3,232**

The defined benefit liabilities developed as follows:

in EUR '000	31.12.2011	31.12.2012
At 01.01. *	49,885	52,535
Currency adjustment	0	-51
Net periodic pension costs *	4,479	3,232
Disbursements	-1,821	-1,965
Contributions to plan assets	-8	-9
Other effects	0	1
At 31.12. *	**52,535**	**53,743**

* Previous year figures adjusted. Based on new findings, EUR 874 thousand was transferred from "Other non-current liabilities" to provisions for defined benefit plans.

The following overview presents the trend in provisions for defined benefit plans by country:

in EUR '000	31.12.2011	31.12.2012
Germany	51,660	52,882
Indonesia	730	671
Philippines	145	190
Total	**52,535**	**53,743**

The following overview presents the trend in the present value of the defined benefit obligation, the applicable fair value of the plan assets and the development in plan asset performance since the changeover to IFRS as at December 31 of each year:

in EUR '000	2008	2009	2010	2011	2012
Present value of defined benefit obligation	50,979	55,396	57,993	65,561	82,177
Fair value of plan assets	-166	-177	-188	-198	-212
Loss/(profit)	**50,813**	**55,219**	**57,805**	**65,363**	**81,965**

in EUR '000	2008	2009	2010	2011	2012
Empirical value-based adjustments to plan liabilities	673	-325	159	516	1,239
Effects of changes in actuarial assumptions	1,867	2,473	0	3,808	14,368
Empirical value-based adjustments to plan assets	-1	0	0	1	-2

CURRENT LIABILITIES

28. CURRENT LIABILITIES

in EUR '000	31.12.2011	31.12.2012
Liabilities to banks	251,567	168,090
Advances received for orders	14,292	18,898
Liabilities from construction contracts (PoC)	13,613	29,982
Trade payables	127,597	137,066
Liabilities to enterprises in which the company has participating interests	195	173
Liabilities from finance lease agreements	8,321	8,789
Other current liabilities	92,012	95,138
Other current financial liabilities	22,095	13,663
Total	**529,692**	**471,799**

The other current liabilities mainly comprise obligations in respect of outstanding invoices, flexitime and holiday credits, employer's liability insurance associations, the compensation levy for the shortfall in handicapped employees, performance bonuses as well as other tax liabilities and liabilities in respect of social security.

The other current financial liabilities mainly comprise obligations to leasing and finance companies. The fair values virtually match the carrying amounts. The interest rate margin on current liabilities to banks is 3.65 to 8.25 percent (previous year: 3.78 to 5.80 percent).

29. OTHER PROVISIONS

The other provisions have developed as follows in the financial year:

in EUR '000	31.12.2011	31.12.2012
At 01.01	18,014	16,903
Change in scope of consolidation	0	0
Currency adjustment	827	-31
Allocation	5,331	6,437
Reversal	4,489	2,962
Consumption	2,780	5,454
At 31.12	**16,903**	**14,893**

The other provisions comprise the following:

in EUR '000	31.12.2011	31.12.2012
Risk from contract processing and warranties	16,530	13,496
Litigation	373	1,397
Total	**16,903**	**14,893**

The provisions for risk from contract processing and warranties include all risks arising from carrying out specialist foundation engineering work and from the sale of machinery, equipment and tools for specialist foundation engineering, with the associated services. These primarily relate to warranty obligations and to other uncertain commitments. The risk from contract processing and warranties is determined specific to project/construction site. The increase in provisions for litigation results mainly from large-scale projects in the Far East.
The provisions for risks arising from contract processing and warranties are predicted to be used up during 2013. The provisions for litigation are predicted to be used up between 2013 and 2017.

30. CONTINGENT LIABILITIES

Contingent liabilities are liabilities not yet recognized in the financial statements, which are recognized in the amount of the maximum possible exposure on the balance sheet date.

in EUR '000	31.12.2011	31.12.2012
Liabilities from guarantees	10,079	4,452

In the construction industry, it is common and essential practice to issue various guarantees to secure obligations arising from construction contracts. These guarantees are usually issued by banks or credit insurance companies (guarantors), and essentially guarantee quotations, contract performance, prepayments and warranty commitments. In the event of a guarantee being given, the guarantors have a right of recourse against the Group. A risk of a guarantee being implemented exists only when the underlying contractual obligations are not duly met.

The contingent liabilities were mainly in relation to the securing of contract performance, to warranty obligations and to advance payments. Liabilities from guarantees exist to third parties. In addition, we are subject to joint and several liability in respect of all joint ventures in which we participate.

31. OTHER FINANCIAL OBLIGATIONS

in EUR '000	Remaining term					
	under 1 year		1 to 5 years		over 5 years	
	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12
Minimum lease payments from operating leases	4,497	13,268	4,064	14,145	89	376
Other financial obligations	6,863	7,860	4,116	6,869	5,020	5,290

The operating leases relate mainly to mutual agreements about factory and office equipment, as well as to technical equipment and machinery which were added in the financial year and are classified as operating leases. The BAUER Group is committed to rental agreements of unlimited term totalling monthly EUR 989 thousand (previous year: 629 thousand). The other financial obligations mainly include limited-term property rentals and leases.

32. DISCONTINUED OPERATIONS

There no plans to discontinue business operations under the terms of IFRS 5.

33. EVENTS AFTER THE BALANCE SHEET DATE

No events subject to mandatory reporting in accordance with IAS 10 occurred after December 31, 2012.

34. SEGMENT REPORTING

Reporting on the segments of the BAUER Group was implemented in accordance with IFRS 8, as in the previous year. The internal organizational and management structure and the internal system of reporting to the Management Board and Supervisory Board dictate the segmentation employed by the BAUER Group.

The BAUER Group comprises the Construction, Equipment and Resources segments. Transactions between the segments are conducted at market prices.
SCHACHTBAU NORDHAUSEN GmbH is the only Group company to operate in all three segments. The assets, liabilities, total consolidated revenues, sales with third parties and net profit of SCHACHTBAU NORDHAUSEN GmbH are assigned to the relevant segments. No breakdowns of the other items were made in segment reporting, as they were not classed as material.

Construction

The core business of the **Construction segment** is specialist foundation engineering. Complete excavation pits and foundation works, often in difficult subgrade conditions, are carried out for major infrastructure projects and buildings. In order to offer customers a full range of services, the companies of the BAUER Group additionally offer other construction services, often involving a major specialist foundation engineering element. Examples of this include bridges, environmental engineering, remediation and building renovation projects. The construction segment is founded on the close interlinking of all construction activities.

Equipment

In the **Equipment segment**, machinery for all specialist foundation engineering processes and for deep drilling is developed and manufactured for worldwide distribution. The specialist foundation engineering equipment can be employed to produce large-diameter and small-diameter bores for piles, diaphragm walls, anchors, injections and wells. The deep drilling equipment can be employed to drill for geothermal energy, oil and gas. Equipment for ramming and soil improvement is also manufactured. The range is supplemented by a wide selection of add-on units and ancillary equipment, covering all the processes involved in specialist foundation engineering.

Resources

The **Resources segment** brings together all the Group companies providing products and services relating to the remediation and exploitation of natural resources essential to human life. They include environmental technology companies involved in the treatment of ground and groundwater as well as companies involved in exploratory drilling and mining of raw materials and drilling of wells and geothermal energy sources. This segment also includes companies which manufacture and sell materials for the engineering of bore holes, specifically for wells and geothermal energy sources.

The **Other** segment comprises the central services (accounting, human resources, IT etc.) provided by BAUER AG to the Group companies as well as other units not assignable to the separately listed segments, providing services such as in-house and external education and training and centralized research and development.

The intersegmental consolidation effects are grouped here under **Consolidation**. This includes offsetting of intra-Group sales between the segments as well as income and expenses and interim results. The intersegmental consolidation effects are adjusted within the respective segments.

The segment result for the period reflects the financial income and expenses as well as the net earnings of shares valued at-equity and the income tax expenditure. The segments' assets and liabilities incorporate all the assets and liabilities of the Group.

The non-current assets stated in the segment report by region comprise intangible assets, property, plant and equipment and investment property.

Total Group revenues, consolidated revenues and sales revenues with third parties

The consolidated revenues reflect the performance of all the companies included in the scope of consolidation. The total Group revenues represent the revenues of all the companies forming part of our Group. The difference between the consolidated revenues and the total Group revenues is derived from the revenues of the associated companies, from our subcontractor shares in consortia, and from the revenues of non-consolidated companies.

The sales revenues with third parties are allocated to the business segments according to the customer's location.
No one customer accounts for more than 10 percent of total sales.

No breakdown of sales revenues by product and service, or by groups of comparable products and services, was available as per the balance sheet date.

Segment Reporting of the BAUER Group

SEGMENT REPORT BY BUSINESS SEGMENT	Construction		Equipment	
in EUR '000	2011	2012	2011	2012
Total revenues (Group) [3]	**606,598**	**656,834**	**636,457**	**596,086**
Sales revenues with third parties [2) 3)]	506,227	579,069	511,430	520,576
Sales revenues between business segments	19,234	15,351	60,940	54,828
Changes in inventories	525	-3,024	33,207	-23,180
Other capitalized goods and services for own account	4,450	677	6,430	6,548
Other income [1]	26,701	14,918	22,882	19,230
CONSOLIDATED REVENUES [1) 2) 3)]	**557,137**	**606,991**	**634,889**	**578,002**
OPERATING RESULT [1) 2) 3)]	**17,866**	**21,784**	**52,981**	**33,720**
Financial income	4,455	2,207	1,177	2,697
Financial expenses	-14,799	-15,258	-21,799	-23,024
Share of the profit or loss of associated companies accounted for using the equity method	369	5,272	11	20
Income tax expense	-2,791	-5,592	-9,054	-4,701
NET PROFIT OR LOSS [1) 2) 3)]	**5,100**	**8,413**	**23,316**	**8,712**
ADDITIONAL INFORMATION ON THE BALANCE SHEET				
SEGMENT ASSETS 31.12. [1) 2)]	**505,267**	**552,267**	**762,222**	**745,318**
of which shares in associated companies accounted for using the equity method	7,285	12,671	93	108
of which capital investments in fixed assets	60,894	51,577	24,971	34,693
SEGMENT LIABILITIES 31.12. [1) 2)]	**371,532**	**394,772**	**530,921**	**529,494**
ADDITIONAL INFORMATION ON THE INCOME STATEMENT				
Depreciation				
Depreciation of fixed assets [2]	-36,032	-42,487	-18,250	-20,275
of which impairment losses on fixed assets	-181	-33	-446	-525
Write-downs of inventories due to use	0	0	-15,909	-15,392
Major non-cash segment items				
Impairment losses on inventories	-191	-390	-8,130	-4,844
Allocation of impairment of receivables	-5,224	-20,178	-5,531	-1,977
Reversal of impairment of receivables	11,339	13,908	2,208	2,830

SEGMENT REPORT BY REGION	Germany		Europe (other)		Europe excluding EU	
in EUR '000	2011	2012	2011	2012	2011	2012
Total revenues (Group)	**370,342**	**385,282**	**154,272**	**142,875**	**126,438**	**129,654**
Sales revenues with third parties	329,817	329,951	150,153	142,102	91,979	115,414
Non-current assets	272,848	256,369	20,277	19,501	8,084	15,140

[1] Figures from the previous year shown in gross.
[2] Figures from the previous year adjusted due to allocation of SCHACHTBAU NORDHAUSEN GmbH.
[3] See footnote on Construction segment on page 27.

Resources		Other		Consolidation		Group	
2011	2012	2011	2012	2011	2012	2011	2012
211,497	**263,916**	**38,297**	**42,706**	**-121,018**	**-113,951**	**1,371,831**	**1,445,591**
201,549	244,273	381	503	0	0	1,219,587	1,344,421
2,317	3,578	28,493	29,576	-110,984	-103,333	0	0
-2,607	3,849	0	0	-25	0	31,100	-22,355
305	949	0	0	20,190	16,075	31,375	24,249
5,791	4,715	8,661	11,769	-19,012	-11,085	45,023	39,547
207,355	**257,364**	**37,535**	**41,848**	**-109,831**	**-98,343**	**1,327,085**	**1,385,862**
10,897	**15,169**	**8,141**	**12,050**	**-7,585**	**-11,324**	**82,300**	**71,399**
2,033	2,436	5,805	8,118	-6,846	-9,486	6,624	5,972
-7,606	-11,123	-3,344	-4,738	6,846	9,486	-40,702	-44,657
-1,069	257	0	0	0	0	-689	5,549
-548	-1,094	-1,025	-1,772	0	235	-13,418	-12,924
3,707	**5,645**	**9,577**	**13,658**	**-7,585**	**-11,089**	**34,115**	**25,339**
256,166	**283,717**	**238,330**	**297,617**	**-274,535**	**-357,445**	**1,487,450**	**1,521,474**
1,425	354	0	0	0	0	8,803	13,133
20,291	17,393	2,606	4,111	0	0	108,762	107,774
193,868	**220,283**	**87,628**	**142,899**	**-166,933**	**-249,049**	**1,017,016**	**1,038,399**
-8,697	-10,446	-3,308	-3,195	0	0	-66,287	-76,403
-3	-148	0	0	0	0	-630	-706
0	0	0	0	0	0	-15,909	-15,392
-468	-834	0	0	0	0	-8,789	-6,068
-500	-617	0	0	0	0	-11,255	-22,772
268	428	0	0	0	0	13,815	17,166

Middle East and Central Asia		Asia-Pacific, Far East and Australia		America		Africa		Group	
2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
170,447	**197,323**	**292,019**	**327,977**	**191,156**	**202,463**	**67,157**	**60,017**	**1,371,831**	**1,445,591**
167,294	189,969	252,658	301,782	176,270	216,739	51,416	48,464	1,219,587	1,344,421
59,042	58,836	64,057	77,856	55,753	64,256	8,814	7,925	488,875	499,883

OTHER DISCLOSURES

35. CASH FLOW STATEMENT

The funds shown in the cash flow statement comprise only the cash and cash equivalents stated on the balance sheet. The cash flow statement details payment flows, broken down by inflow and outflow of funds from operating activities and from investing and financing activities.

The cash flow from operating activities is derived indirectly from the pre-tax profit. The pre-tax profit is adjusted by non-cash transactions. The cash flow from operating activities is produced taking account of the changes in working capital.

Investing activities include additions to property, plant and equipment and to financial assets and intangible assets, as well as income from the sale of assets. Financing activities include outflows of cash and cash equivalents arising from dividend payments as well as the change in other financial indebtedness.

The changes in balance sheet items applied for the preparation of the cash flow statement are not directly derivable from the balance sheet, as the effects of currency translation and changes in the scope of consolidation, as well as the allocation and elimination of value adjustments on trade receivables, do not affect payments and are stripped out.

36. FINANCIAL INSTRUMENTS

In its business operations and financing activities the BAUER Group is subject in particular to fluctuations in exchange rates and interest rates. It is the company's policy to exclude, or at least limit, these risks by entering into hedge transactions. All hedging measures are controlled and executed centrally by BAUER AG.

Application of the segregation-of-duties approach ensures that there is an adequate split between the trading and execution functions. The segregation-of-duties approach is implemented by spreading functions across the Management Board (financial reporting) and the corporate departments (operational handling). All derivatives transactions are entered into only with banks of the highest credit rating.

MARKET RISKS

Foreign exchange rate risks

Foreign exchange rate risks under the terms of IFRS 7 are created by financial instruments which are denominated in a currency different to the functional currency and are of a monetary nature. Exchange rate-related differences when converting financial statements into the Group currency are ignored. All non-functional currencies in which the BAUER Group enters into financial instruments are classed, as a matter of principle, as relevant risk variables.

The existing foreign exchange forward contracts and cross-currency swaps safeguard our currency hedging strategy. Within the BAUER Group, the primary monetary financial instruments are either denominated directly in functional currency or are largely transferred into the functional currency by means of derivatives. In view of the usually short-term maturity of the instruments too, possible changes in exchange rates have only very minor effects on earnings or equity.

For the purposes of sensitivity analysis, foreign exchange rate risks arising from monetary financial instruments which were not concluded in the functional currencies of the individual member companies of the BAUER Group are included in the analysis.

Quantification of exchange rate risks with exchange rate shifts of +/- 10 percent:

in EUR '000	31.12.2011	31.12.2012
Market value changes, +10 percent hedging	4,845	6,868
Market value changes, -10 percent hedging	-4,854	-8,347
Overall effect of +10 percent on shareholders' equity	4,845	6,868
Overall effect of -10 percent on shareholders' equity	-4,854	-8,347
Market value changes, no +10 percent hedging	1,452	1,235
Market value changes, no -10 percent hedging	-2,085	-1,635
Currency fluctuations of receivables and payables in foreign currencies, +10 percent	1,169	1,296
Currency fluctuations of receivables and payables in foreign currencies, -10 percent	-1,024	-1,124
Overall effect of +10 percent on income statement	283	2,531
Overall effect of -10 percent on income statement	-1,061	-2,759

In 2012, the sensitivity effects mainly related to the US dollar. There are no other concentrations of risk.

Interest rate risks

The existing interest rate swaps serve to safeguard our financing and interest rate hedging strategy. Agreements exist in respect of swaps from variable to fixed interest rates in order to exclude the risk of fluctuation in market interest rates.

Changes in market interest rates affect the interest results of variable-rate primary financial instruments of which the interest payments are not designated as underlying transactions as part of cash flow hedges against interest rate risks, and consequently are included in the calculation of earnings-related sensitivity.

Changes in market interest rates of interest rate derivatives (interest rate swaps, interest rate/currency swaps) which are not embedded in a hedging relationship pursuant to IAS 39 have effects on financial income and expenses (net valuation based on adjustment of financial assets to applicable fair value) and so are included in the calculation of earnings-related sensitivity.

Quantification of interest rate risks with interest rate shifts of +/- 100 base points:

in EUR '000	31.12.2011	31.12.2012
Interest rate derivatives, hedge accounting +100 base points	3,019	3,268
Interest rate derivatives, hedge accounting -100 base points	-2,083	-2,543
Overall effect of +100 base points on shareholders' equity	3,019	3,268
Overall effect of -100 base points on shareholders' equity	-2,083	-2,543
Interest rate derivatives, no hedge accounting +100 base points	2,783	1,735
Interest rate derivatives, no hedge accounting -100 base points	-1,668	-1,214
Liabilities and assets subject to variable interest rates, +100 base points	-1,420	-1,101
Liabilities and assets subject to variable interest rates, -100 base points	1,420	1,101
Overall effect of +100 base points on income statement	1,363	634
Overall effect of -100 base points on income statement	-248	-113

Raw material risks

Raw material risks to which the BAUER Group is exposed in respect of availability and potential fluctuations in price on the market are excluded, or limited, by means of supply promises and fixed pricing agreements entered into with suppliers prior to execution of contracts. The raw material risk relates mainly to steel.

Liquidity risks

The liquidity risk is managed by means of business planning, which ensures that the necessary funds to finance operating activities and current and future capital investments are made available at the appropriate time, in the required currency, and at optimum cost, in all Group companies. In liquidity risk management, the liquidity requirement arising from operating activities, from investment activities and from other financial measures is determined in the form of a banking report and a liquidity plan.

Liquidity is guaranteed at all times by means of a liquidity forecast focused on a fixed planning horizon and by unused lines of credit and guarantee facilities.

The following tables present the contractually agreed and non-discounted interest payments and capital repayments in respect of primary financial liabilities and derivative financial instruments of the BAUER Group:

in EUR '000	Carrying amount 31.12.2011	Cash flows 2012	Cash flows 2013 to 2016	Cash flows 2017 ff.
Liabilities to banks	606,738	258,867	295,251	70,490
Liabilities from finance lease agreements	25,982	9,653	18,868	585
Other liabilities *	102,286	91,138	11,148	0
Other financial liabilities	36,864	22,470	11,625	2,995
Liabilities from construction contracts	13,613	13,613	0	0
Trade payables	128,913	127,597	1,316	0
Liabilities to enterprises in which the company has participating interests	195	195	0	0

* Previous year figures adjusted. Based on new findings, EUR 874 thousand was transferred from "Other non-current liabilities" to provisions for defined benefit plans.

in EUR '000	Carrying amount 31.12.2012	Cash flows 2013	Cash flows 2014 to 2017	Cash flows 2018 ff.
Liabilities to banks	594,276	178,821	385,984	48,108
Liabilities from finance lease agreements	24,976	9,507	17,986	0
Other liabilities	99,440	92,013	7,427	0
Other financial liabilities	36,375	13,765	16,548	6,567
Liabilities from construction contracts	29,982	29,982	0	0
Trade payables	138,312	137,065	1,247	0
Liabilities to enterprises in which the company has participating interests	173	173	0	0

There were no instances of defaulting on interest payments or capital repayments in the period under review. No infringement of loan agreements occurred. There are no other concentrations of risk. It is not to be expected that liabilities arising from sureties (contingent liabilities) will result in significant actual liabilities, and thus in significant cash flows, for which no provisions have yet been made.

The due dates of derivative financial instruments based on outflow and inflow of cash and cash equivalents are as follows:

in EUR '000 at 31.12.2011	2012	2013 to 2016	2017 onwards
Receivables from foreign exchange options	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0
Receivables from foreign exchange forward contracts	**185**	**0**	**0**
Outflow of cash and cash equivalents	-7,586	0	0
Inflow of cash and cash equivalents	7,771	0	0
Receivables from interest rate swaps	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0
Receivables from cross currency swaps	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0
Liabilities from foreign exchange options	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0
Liabilities from foreign exchange forward contracts	**-2,466**	**-1,166**	**0**
Outflow of cash and cash equivalents	-42,604	-30,831	0
Inflow of cash and cash equivalents	40,138	29,665	0
Liabilities from interest rate swaps	**-1,926**	**-4,475**	**-546**
Outflow of cash and cash equivalents	-5,545	-11,071	-1,128
Inflow of cash and cash equivalents	3,619	6,596	582
Liabilities from cross currency swaps	0	0	0
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0

in EUR '000 at 31.12.2012	2013	2014 to 2017	2018 onwards
Receivables from foreign exchange options	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0
Receivables from foreign exchange forward contracts	**1,591**	**7**	**0**
Outflow of cash and cash equivalents	-57,067	-707	0
Inflow of cash and cash equivalents	58,658	714	0
Receivables from interest rate swaps	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0
Receivables from cross currency swaps	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0
Liabilities from foreign exchange options	**0**	**0**	**0**
Outflow of cash and cash equivalents	0	0	0
Inflow of cash and cash equivalents	0	0	0
Liabilities from foreign exchange forward contracts	**-642**	**-436**	**0**
Outflow of cash and cash equivalents	-25,049	-10,705	0
Inflow of cash and cash equivalents	24,407	10,269	0
Liabilities from interest rate swaps	**-4,829**	**-7,284**	**-405**
Outflow of cash and cash equivalents	-5,842	-9,686	-613
Inflow of cash and cash equivalents	1,013	2,402	208
Liabilities from cross currency swaps	-75	-1,694	0
Outflow of cash and cash equivalents	-75	-1,694	0
Inflow of cash and cash equivalents	0	0	0

To calculate the cash inflows from interest rate swaps the conditions as per December 31, 2012 were applied.

Risk of default

The risk of default on financial assets exists in terms of the risk of failure of a contract party and thus to a maximum in the amount of the carrying amount of the exposure to the said party, less securities received/credit insurance cover provided. A presentation of the carrying amounts and the resultant maximum risk of default per category is given in the table headed "Progression of balance sheet values". The risk arising from primary financial instruments is countered by means of value adjustments for bad debt, and in Germany also by means of credit insurance cover. As derivative financial instruments are entered into only with banks with high credit ratings, and the risk management system sets limits for each party, the actual risk of default is negligible. There are no other concentrations of risk.

Credit risk

The credit risk is managed at Group level. Credit risks arise from cash and cash equivalents, derivative financial instruments and deposits at banks. Only banks and financial services companies with a high credit rating are selected as partners.
No credit limit was exceeded in the reporting period. The management expects no defaults on the part of these business partners.

Other disclosures relating to financial instruments

On October 2, 2001, BAUER EGYPT S.A.E. issued an 11 percent convertible bond with a face value of EGP 10,000,000. The term of the convertible bond was originally 6 years, and was again extended for a further 3 years in 2010. On expiry of the convertible bond, the holder has the option to exchange it for 200,000 shares at EGP 50 each. The applicable fair value of the liability component and of the equity conversion component was set as per the issue date of the convertible bond. The applicable fair value of the debt component recognized in the non-current financial liabilities as at December 31, 2012 amounts to EUR 548 thousand (previous year: 590 thousand).
The applicable fair value of the equity component recognized in the minority interests as at December 31, 2012 amounts to EUR 324 thousand (previous year: 324 thousand).

The Group has taken up loans with variable interest rates and hedged against its interest rate-related cash flow risk by means of swaps. Such interest rate swaps have the commercial effect of converting variable-interest loans into fixed-interest loans. In these interest rate swaps, the Group agrees with other parties to swap the difference between the fixed and variable interest rates derived from the agreed nominal amounts at regular intervals.

in EUR '000	Remaining term						Nominal volume		Fair value	
	under 1 year		1 to 5 years		over 5 years					
	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12	31.12.11	31.12.12
Interest rate swaps										
of which in hedge accounting	37,000	0	68,000	130,571	14,286	0	119,286	130,571	-3,081	-4,973
of which not in hedge accounting	14,000	0	26,000	26,000	23,950	21,750	63,950	47,750	-5,356	-6,044
Foreign exchange forward contracts										
of which in hedge accounting	17,672	64,342	30,856	10,216	0	0	48,528	74,558	-2,469	238
of which not in hedge accounting	17,257	29,938	387	1,414	0	0	17,644	31,352	-985	281
Foreign exchange forward options										
of which in hedge accounting	0	0	0	0	0	0	0	0	0	0
of which not in hedge accounting	0	0	0	0	0	0	0	0	0	0
Cross currency swaps										
of which in hedge accounting	0	0	0	1,628	0	0	0	1,628	0	-173
of which not in hedge accounting	0	0	0	0	0	0	0	0	0	0

Net result by valuation category

The following table sets out the net profits and losses (before tax) on financial instruments stated in the income statement, broken down by valuation category as per IAS 39:

in EUR '000	31.12.2011	31.12.2012
Loans and Receivables	8,597	-127
Financial Liabilities Measured at Amortized Cost	-34,619	-38,824
Available-for-Sale Financial Assets	-22	-111
Financial Assets and Liabilities Held for Trading	-2,463	-280
Total	**-28,507**	**-39,342**

The net result of the "Loans and Receivables" category includes results from the creation and reversal of value adjustments in respect of trade receivables as well as interest income.

The net result of the "Financial Liabilities Measured at Amortized Cost" category includes the result from interest expenditure to third parties, for current and non-current loans as well as guaranty commissions.

The net result of the "Available-for-Sale Financial Assets" category includes gains and losses from marketable securities. Equity shares in companies are valued at cost and are not included.

The net result of the "Financial Assets and Liabilities Held for Trading" category includes results from foreign exchange forward contracts and options, as well as results from changes to the fair values of interest rate swaps.

Carrying amounts and fair values

The fair value of a financial instrument is the consideration for which an asset might be exchanged, or a debt paid, between informed, willing and mutually independent parties. Where financial instruments are quoted on an active market – such as in particular shares held and bonds issued – the price quoted on the market in question is the fair value. If no active market exists, the fair value is determined by financial valuation methods. For securities (AfS) the BAUER Group has at its disposal the prices quoted on an active market.

For cash and cash equivalents, current trade receivables and other current assets, current trade payables and other current liabilities, owing to their short remaining terms the carrying amount should be adopted as a realistic estimate of the fair value.

The fair values of non-current assets and non-current financial assets and of non-current liabilities and non-current financial liabilities correspond to the cash values of the payment flows linked to the assets, taking into account the applicable interest rate parameters, which reflect changes in the terms and expectations of the market and of the respective parties.

Investments are valued at cost, as no fair value can be reliably determined owing to the lack of an active market. There is no intention to dispose of the investments in the near future.

The fair values of financial instruments are determined on the basis of one of the methods set out on the three following levels:

- Level 1: Quoted prices on active markets for identical assets or liabilities.
- Level 2: Other methods in which all incoming information having a material influence on the fair value determined originates from directly and indirectly observable market data.
- Level 3: Methods using incoming information having a material influence on the fair value determined which does not originate from observable market data.

Level 3 was not relevant to the BAUER Group at December 31, 2012.

The financial instruments measured at fair value are assignable to the following levels:

in EUR '000	IAS 39 category	31.12.2011	Level 1	Level 2
Assets				
Securities	AfS	111	111	0
Derivatives not in hedge accounting	FAHfT	171	0	171
Derivatives in hedge accounting	n/a	14	0	14
Total		**296**	**111**	**185**
Equity and liabilities				
Derivatives not in hedge accounting	FLHfT	6,512	0	6,512
Derivatives in hedge accounting	n/a	5,564	0	5,564
Total		**12,076**	**0**	**12,076**

in EUR '000	IAS 39 category	31.12.2012	Level 1	Level 2
Assets				
Securities	AfS	0	0	0
Derivatives not in hedge accounting	FAHfT	403	0	403
Derivatives in hedge accounting	n/a	1,197	0	1,197
Total		**1,600**	**0**	**1,600**
Equity and liabilities				
Derivatives not in hedge accounting	FLHfT	6,163	0	6,163
Derivatives in hedge accounting	n/a	6,105	0	6,105
Total		**12,268**	**0**	**12,268**

Other disclosures relating to hedging transactions

In the financial year 2012, unrealized results from the market valuation of interest rate swaps, cross-currency swaps and foreign exchange forward contracts in an amount of EUR 3,722 thousand (previous year: -1,933 thousand) after tax were recognized in the shareholders' equity as a hedge reserve (hedge accounting, cash flow hedge) with no effect on profit and loss. Hedging instruments were always linked to an underlying transaction. In this period, the ineffective portion in an amount of EUR 0 thousand (previous year: 2 thousand) after tax was assigned to the financial expenses.
The prospective effectiveness is measured according to the Critical Term Match method and the retrospective effectiveness according to the Dollar Offset method based on the Hypothetical Derivatives method.

Within the Group, financial instruments are classified in the same way as the respective balance sheet items.
The following table presents a progression of the classes to the categories of IAS 39 and the respective market values:
Progression of balance sheet values from December 31, 2011 to December 31, 2012:

ASSETS in EUR '000				Ba	
	Subcategory	Carrying amount		Loans and Receivables/ Other Financial Liabilities	
		31.12.2011	31.12.2012	31.12.2011	31.12.2012
NON-CURRENT ASSETS					
Participations	at cost	3,627	3,638	0	0
Receivables from concession arrangements	at amortized cost	43,975	40,770	43,975	40,770
Other non-current assets		10,298	8,597		
	at amortized cost	4,576	3,087	4,576	3,087
	not IFRS 7	5,722	5,510	0	0
Other non-current financial assets		6,205	6,846		
	at fair value	0	0	0	0
	at amortized cost	6,131	6,845	6,131	6,845
	not IFRS 7	74	1	0	0
CURRENT ASSETS					
Receivables and other assets		409,301	446,011		
Receivables from construction contracts	at amortized cost	89,501	116,398	89,501	116,398
Trade receivables	at amortized cost	255,102	264,216	255,102	264,216
Receivables from joint ventures	at amortized cost	2,240	4,922	2,240	4,922
Receivables from enterprises					
in which the company has participating interests	at amortized cost	87	344	87	344
Other current assets		56,098	47,719		
	at amortized cost	25,861	19,728	25,861	19,728
	not IFRS 7	30,237	27,991	0	0
Other current financial assets		6,273	12,412		
	at fair value	296	1,593	0	0
	at amortized cost	4,840	10,819	4,840	10,819
	not IFRS 7	1,137	0	0	0
Cash and cash equivalents		24,947	45,232	24,947	45,232
Total ASSETS		**498,353**	**551,094**	**457,260**	**512,361**

lance sheet valuation as per IAS 39									
Available for Sale		Financial Assets and Liabilities Held for Trading		Derivatives in hedge accounting		Balance sheet valuation as per IAS 17		Fair value according to IFRS 7	
31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012
3,627	3,638	0	0	0	0	0	0	3,627	3,638
0	0	0	0	0	0	0	0	43,975	40,770
0	0	0	0	0	0	0	0	4,227	1,527
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	6,131	6,845
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	89,501	116,398
0	0	0	0	0	0	0	0	255,102	264,216
0	0	0	0	0	0	0	0	2,240	4,922
0	0	0	0	0	0	0	0	87	344
0	0	0	0	0	0	0	0	25,861	19,728
0	0	0	0	0	0	0	0	0	0
111	0	171	396	14	1,197	0	0	296	1,593
0	0	0	0	0	0	0	0	4,840	10,819
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	24,947	45,232
3,738	**3,638**	**171**	**396**	**14**	**1,197**	**0**	**0**	**460,834**	**516,032**

EQUITY AND LIABILITIES in EUR '000

				Ba	
	Subcategory	Carrying amount		Loans and Receivables/ Other Financial Liabilities	
		31.12.2011	31.12.2012	31.12.2011	31.12.2012
NON-CURRENT LIABILITIES					
Liabilities to banks	at amortized cost	355,171	426,186	355,171	426,186
Liabilities from finance lease agreements	at amortized cost	17,661	16,187	0	0
Other non-current liabilities		11,590	8,674		
Trade payables	at amortized cost	1,316	1,247	1,316	1,247
Sundry other non-current liabilities *	at amortized cost	2,685	1,707	2,685	1,707
	not IFRS 7	7,589	5,720	0	0
Other non-current financial liabilities		14,769	22,712		
	at fair value	9,144	11,627	0	0
	at amortized cost	5,625	11,085	5,625	11,085
CURRENT LIABILITIES					
Liabilities to banks	at amortized cost	251,567	168,090	251,567	168,090
Liabilities from finance lease agreements	at amortized cost	8,321	8,789	0	0
Liabilities from construction contracts	at amortized cost	13,613	29,982	13,613	29,982
Trade payables	at amortized cost	127,597	137,066	127,597	137,066
Liabilities to enterprises					
in which the company has participating interests	at amortized cost	195	173	195	173
Other current liabilities		92,012	95,138		
	at amortized cost	27,491	28,257	27,491	28,257
	not IFRS 7	64,521	66,881	0	0
Other current financial liabilities		22,095	13,663		
	at fair value	2,932	642	0	0
	at amortized cost	19,163	13,021	19,163	13,021
Total EQUITY AND LIABILITIES		**914,591**	**926,660**	**804,423**	**816,814**

* See footnote on page 100.

lance sheet valuation as per IAS 39									
Available for Sale		Financial Assets and Liabilities Held for Trading		Derivatives in hedge accounting		Balance sheet valuation as per IAS 17		Fair value according to IFRS 7	
31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012	31.12.2011	31.12.2012
0	0	0	0	0	0	0	0	266,912	346,001
0	0	0	0	0	0	17,661	16,187	17,661	16,187
0	0	0	0	0	0	0	0	1,316	1,247
0	0	0	0	0	0	0	0	2,685	1,707
0	0	0	0	0	0	0	0	0	0
0	0	5,176	6,052	3,968	5,575	0	0	9,144	11,627
0	0	0	0	0	0	0	0	5,000	10,066
0	0	0	0	0	0	0	0	251,567	168,090
0	0	0	0	0	0	8,321	8,789	8,321	8,789
0	0	0	0	0	0	0	0	13,613	29,982
0	0	0	0	0	0	0	0	127,597	137,066
0	0	0	0	0	0	0	0	195	173
0	0	0	0	0	0	0	0	27,491	28,257
0	0	0	0	0	0	0	0	0	0
0	0	1,336	112	1,596	530	0	0	2,932	642
0	0	0	0	0	0	0	0	19,163	13,021
0	**0**	**6,512**	**6,164**	**5,564**	**6,105**	**25,982**	**24,976**	**753,597**	**772,855**

37. EXECUTIVE BODIES

In the year under review the Supervisory Board comprised the following members:

Chairman

- Dr. Klaus Reinhardt, General (retd.), Starnberg

Deputy Chairman

- Robert Feiger, Neusäss
  Member of the Federal Executive Committee of the IG Bauen-Agrar-Umwelt trade union, Frankfurt am Main
  Supervisory Board, HeidelbergCement AG, Heidelberg, Member
  Supervisory Board, Zusatzversorgungskasse des Baugewerbes AG, Wiesbaden, Member
  Supervisory Board, Zusatzversorgungskasse Gerüstbaugewerbe VVaG, Wiesbaden, Chairman

Employer representatives

- Dr.-Ing. Johannes Bauer, Schrobenhausen
  Construction engineer, BAUER Designware GmbH, Schrobenhausen
- Dipl.-Ing. (FH) Rainer Schuster, Freising
  Freelance consultant to Bilfinger Berger AG, Mannheim
- Dipl.-Ing. (FH) Elisabeth Teschemacher, née Bauer, Schrobenhausen
  Freelance real estate and construction consultant
- Gerardus N. G. Wirken, Breda, Netherlands
  Freelance consultant on strategy, controlling and accounting
  Supervisory Board, Batenburg techniek N.V., Rotterdam/Netherlands, Member
  Supervisory Board, Vendor Beheer B.V., Tilburg//Netherlands, Chairman
  Supervisory Board, Winters Bouw- en Ontwikkeling B.V., Breda/Netherlands, Chairman
  Supervisory Board, Rabobank Breda, Breda/Netherlands, Chairman
  Supervisory Board, Egeria Investments B.V., Amsterdam/Netherlands, Chairman
  Supervisory Board, Holonite B.V., Tholen/Netherlands, Chairman
  Member of the Board of Rabobank Pensioenfonds, Utrecht/Netherlands
  Supervisory Board, ICTS Europe Holdings B.V., Amsterdam/Netherlands, Chairman
- Prof. Dr.-Ing. E.h. Manfred Nußbaumer M.Sc, Munich
  Retired construction engineer

Employee representatives

- Regina Andel, Ellrich
  Chair of the Works Council, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen
- Dipl.-Volkswirt Norbert Ewald, Bad Vilbel
  Member of the Management Board, Zusatzversorgungskasse des Steinmetz- und Steinbildhauerhandwerks VVaG, Wiesbaden
- Reinhard Irrenhauser, Schrobenhausen
  Chairman of the Works Council, BAUER Maschinen GmbH, Schrobenhausen
- Dipl.-Ing. Gerold Schwab, Kernen
  Construction Engineer in the Technical Division of BAUER Spezialtiefbau GmbH, Schrobenhausen
- Dipl.-Ing. (FH) Walter Sigl, Waidhofen
  Member of the Management Board of BAUER Maschinen GmbH, Schrobenhausen

Management Board

- Prof. Dipl.-Kfm. Thomas Bauer, Schrobenhausen, Chairman, Functions: Participations in Subsidiaries, Accounting, Planning, Advertising
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Chairman
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Chairman
  Supervisory Board, BAUER EGYPT S.A.E., Cairo, Chairman
  Supervisory Board, BAUER FOUNDATION CORP., Odessa, Chairman
  Supervisory Board, Mannheimer AG Holding, Mannheim, Member (to 11.03.2013)
- Dipl.-Betriebswirt (FH) Hartmut Beutler, Schrobenhausen, Functions: Finance, Legal Affairs, Investor Relations, Facility Management
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Member
  Supervisory Board, Schrobenhausener Bank e.G., Schrobenhausen, Chairman
- Dipl.-Ing. Heinz Kaltenecker, Schrobenhausen, Functions: Participations in Subsidiaries, Information Technology, Human Resources, Quality Management, Risk Management, Health Safety Environment
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Deputy Chairman
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Chairman
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Deputy Chairman

The total remuneration paid to members of the Management Board in the year under review, excluding allocations to provisions for defined benefit plans, was EUR 1,389 thousand (previous year: 1,420 thousand). Of that total, EUR 1,019 thousand (previous year: 980 thousand) was not performance-related and EUR 370 thousand (previous year: 440 thousand) was performance-related. The total remuneration includes benefits in kind arising from the private use of a company car and reimbursement of travel expenses for each member of the Management Board, as well as pro rata group accident insurance premiums and employer's liability insurance association contributions. The company pension scheme for Management Board members incurred pension service costs totalling EUR 114 thousand (previous year: 98 thousand). The pay component entailing vested pension rights, which serves as the basis for calculating pension levels, is significantly lower than the basic salary in all contracts. Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Management Board at the year-end was EUR 3,596 thousand (previous year: 2,953 thousand). Former members of the management bodies of the parent company received total remuneration of EUR 0 (previous year: 260 thousand) in return for duties performed on behalf of the parent company.

The remuneration paid to the Supervisory Board for the 2012 financial year totalled EUR 254 thousand (previous year: 254 thousand) and was broken down as follows:

in EUR '000	2011	2012
Chairman		
Dr. Klaus Reinhardt	38	38
Deputy Chairman		
Robert Feiger	27	27
Employer representatives		
Dr.-Ing. Dr.-Ing. E.h. Karlheinz Bauer	10	0
Dr.-Ing. Johannes Bauer	10	20
Dipl.-Ing. (FH) Rainer Schuster	18	18
Dipl.-Ing. (FH) Elisabeth Teschemacher	18	18
Gerardus N. G. Wirken	20	20
Prof. Dr. Manfred Nußbaumer	20	20
Employee representatives		
Dipl.-Volkswirt Norbert Ewald	20	20
Ronald Hühne	9	0
Regina Andel	9	18
Dipl.-Ing. Gerold Schwab	20	20
Dipl.-Ing. (FH) Walter Sigl	18	18
Reinhard Irrenhauser	9	18
Gerhard Piske	9	0
Total *	**254**	**254**

* Rounding to thousands of EUR resulted in a rounding difference of EUR 1 thousand in 2011 and 2012.

38. DISCLOSURES REGARDING RELATED PARTIES

Related parties under the terms of IAS 24 are parties that the reporting enterprise has the ability to control or exercise significant influence over, or parties that have the ability to control or exercise significant influence over the reporting enterprise. Members of the Management Board of BAUER AG are members of Supervisory Boards and Management Boards of other companies with which BAUER AG maintains relations in the course of its ordinary business operations. Members of the Supervisory Board received pensions totalling EUR 52 thousand (previous year: 52 thousand) in respect of former employment within the BAUER Group. The members of the Supervisory Board, by virtue of their role as employees, received remuneration totalling EUR 481 thousand (previous year: 435 thousand). Lease and service contracts and contracts of employment (except for the remuneration to members of the Management Board disclosed) exist with members of the Management Board, including close family, in respect of which remuneration to an amount of EUR 1,291 thousand (previous year: 1,536 thousand) was paid.

Loan commitments to the BAUER Foundation existed totalling EUR 1,000 thousand (previous year: 1,000 thousand), for which interest amounting to EUR 55 thousand (previous year: 55 thousand) was paid.

At the end of the financial year no loan commitments existed to shareholders of BAUER AG.

The key relationships between fully consolidated Group companies and related parties are set out in the following table:

in EUR '000	Associated companies		Non-consolidated companies	
	2011	2012	2011	2012
Income	1,124	2,318	15,961	24,034
Purchased services	465	452	2,609	3,835
Receivables and other assets (31.12.)	21	282	24,570	22,748
Liabilities (31.12.)	109	95	4,165	3,165
Impairment of receivables	0	0	0	205

The purchased services primarily include expenses to related parties recorded in the financial year.

Transactions with related parties are conducted at standard market terms.

The receivables and other assets include uncollectable receivables as well as financial assets in respect of related parties.

39. FEES AND SERVICES OF THE AUDITORS

The fee paid to the auditors and recorded as expenditure in the financial year is broken down as follows:

PricewaterhouseCoopers AG:

in EUR '000	31.12.2011	31.12.2012
Fees for auditing services	595	605
Fees for other certification	3	4
Fees for tax advice	43	96
Fees for other services	2	84
Total	**643**	**789**

In addition, Roland Jehle GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft was engaged to audit the major German capital corporations included in the Group's consolidated financial statements.

The fees for this recognized in the financial year are broken down in accordance with section 285, paragraph 17 and section 314, subsection 1, paragraph 9 HGB as follows:

in EUR '000	31.12.2011	31.12.2012
Auditing fees	54	36
Fees for other certification	1	0
Fees for tax advice	16	8
Fees for other services	0	0
Total	**71**	**44**

40. DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of BAUER AG issued their declaration in accordance with section 161 of the German Stock Corporation Act (AktG) on December 4, 2012 and published it in a form permanently accessible to shareholders on the company's website at www.bauer.de.

41. AVERAGE NUMBER OF EMPLOYEES

	2011	2012
Salaried staff	**3,371**	**3,664**
Germany	1,828	1,897
International	1,543	1,767
Industrial & trades	**6,027**	**6,350**
Germany	1,989	1,954
International	4,038	4,396
Apprentices	**248**	**239**
Total number of employees	**9,646**	**10,253**

42. AUTHORIZATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Management Board has submitted the consolidated financial statements to the Supervisory Board for authorization for issue (the Supervisory Board meeting is scheduled for April 9, 2012).

43. PROPOSAL ON APPROPRIATION OF NET EARNINGS AVAILABLE FOR DISTRIBUTION

BAUER AG made a net profit available for distribution of EUR 27,448,332.51 in the financial year under review.

We propose to the Annual General Meeting the payment to shareholders of a dividend of EUR 0.30 per share (EUR 5,139,300).

The remaining net earnings available for distribution to the amount of EUR 22,309,032.51 should be carried forward.

No restrictions have been imposed on payment of dividends by the banks or by the Management Board or Supervisory Board pursuant to Article 22, Clause 1 of the company's Articles of Association.

Schrobenhausen, March 28, 2013

The Management Board

Prof. Dipl.-Kfm. Thomas Bauer
Chairman of the Management Board

Dipl.-Betriebswirt (FH) Hartmut Beutler

Dipl.-Ing. Heinz Kaltenecker

Major participations of the BAUER Group at December 31, 2012

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
1. Fully consolidated companies		
BAUER Aktiengesellschaft	EUR	
A. Germany		
BAUER Spezialtiefbau GmbH, Schrobenhausen, Germany	EUR	99.00
BAUER Maschinen GmbH, Schrobenhausen, Germany	EUR	99.00
SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Germany	EUR	99.00
SPESA Spezialbau und Sanierung GmbH, Schrobenhausen, Germany	EUR	99.00
BAUER Resources GmbH, Schrobenhausen, Germany	EUR	99.00
BAUER Training Center GmbH, Schrobenhausen, Germany	EUR	100.00
BAUER Designware GmbH, Schrobenhausen, Germany	EUR	100.00
BAUER Umwelt GmbH, Schrobenhausen, Germany	EUR	100.00
KLEMM Bohrtechnik GmbH, Drolshagen, Germany	EUR	100.00
EURODRILL GmbH, Drolshagen, Germany	EUR	100.00
BAUER Mietpool GmbH, Schrobenhausen, Germany	EUR	100.00
RTG Rammtechnik GmbH, Schrobenhausen, Germany	EUR	100.00
MAT Mischanlagentechnik GmbH, Immenstadt, Germany	EUR	74.00
PRAKLA Bohrtechnik GmbH, Peine, Germany	EUR	100.00
Olbersdorfer Guß GmbH, Olbersdorf, Germany	EUR	75.00
SPANTEC Spann- & Ankertechnik GmbH, Schrobenhausen, Germany	EUR	90.00
Hausherr System Bohrtechnik GmbH, Unna, Germany	EUR	100.00
SCHACHTBAU NORDHAUSEN Bau GmbH, Nordhausen, Germany	EUR	100.00
MMG Mitteldeutsche MONTAN GmbH, Nordhausen, Germany	EUR	100.00
SPESA Korrosionsschutz und Beschichtungen GmbH, Nordhausen, Germany	EUR	100.00
HGC Hydro-Geo-Consult GmbH, Freiberg, Germany	EUR	100.00
BAUER Water GmbH, Dunningen, Germany	EUR	100.00
PURE Umwelttechnik GmbH, Schrobenhausen, Germany	EUR	100.00
BAUER Foralith GmbH, Schrobenhausen, Germany	EUR	100.00
GWE pumpenboese GmbH, Peine, Germany	EUR	100.00
GWE Prakla Services GmbH, Peine-Stederdorf, Germany	EUR	100.00
Esau & Hueber GmbH, Schrobenhausen, Germany	EUR	75.50
GWE GF-Tec GmbH, Rödermark, Germany	EUR	80.00
hydesco24 GmbH, Berlin, Germany	EUR	60.00

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
B. EU excluding Germany		
BAUER Resources Hungary Kft., Budapest, Hungary	HUF	100.00
GWE Budafilter Kft., Mezöfalva, Hungary	HUF	93.00
BAUER Ambiente SRL, Milan, Italy	EUR	100.00
BAUER SPEZIALTIEFBAU Gesellschaft m.b.H., Vienna, Austria	EUR	100.00
BAUER Technologies Limited, Bishop´s Stortford, Great Britain	GBP	100.00
BAUER RENEWABLES LIMITED, Bishop´s Stortford, Great Britain	GBP	100.00
BAUER EQUIPMENT UK LIMITED, Rotherham, Great Britain	GBP	100.00
BAUER Magyarorszàg Speciális Mélyépitö Kft., Budapest, Hungary	HUF	100.00
BAUER ROMANIA SRL, Bucharest, Romania	RON	100.00
BAUER BULGARIA EOOD, Sofia, Bulgaria	BGL	100.00
BAUER Funderingstechniek B.V., Mijdrecht, the Netherlands	EUR	100.00
BAUER Foundations (IRL) Ltd., Dublin, Ireland	EUR	100.00
GWE France S.A.S., Strasbourg, France	EUR	100.00
BAUER Cimentaciones Y Equipos S.A., Madrid, Spain	EUR	100.00
TracMec SRL, Mordano, Italy	EUR	100.00
BAUER Macchine Italia SRL, Mordano, Italy	EUR	100.00
FAMBO Sweden AB, Eslöv, Sweden	SEK	100.00
GWE Pol-Bud Sp.z.o.o., Lodz, Poland	PLN	100.00
PESA ENGINEERING, S.A., Madrid, Spain	EUR	100.00
BAUER Ingenieria Medioambiental S.A., Madrid, Spain	EUR	100.00
BAUER Resources UK Ltd., Wigan, Great Britain	EUR	100.00
C. Europe (other)		
BAUER Spezialtiefbau Schweiz AG, Baden, Switzerland	CHF	100.00
FORALITH Holding AG, St. Gallen, Switzerland (subsidiary consolidated financial statements)	CHF	100.00
FORALITH Drilling Support AG, St. Gallen, Switzerland	CHF	100.00
FORALITH Equipment AG, St. Gallen, Switzerland	CHF	100.00
FORALITH Bohrtechnik AG, St. Gallen, Switzerland	CHF	100.00
OOO BAUER Maschinen - Kurgan, Kurgan, Russian Federation	RUB	65.00
OOO BAUER Maschinen SPb, St. Petersburg, Russian Federation	RUB	100.00
OOO BG-TOOLS-MSI, Ljuberzy, Russian Federation	RUB	55.00
OOO BAUER Maschinen Russia, Moscow, Russian Federation	RUB	100.00
BAUER Georgia Foundation Specialists LLC, Batumi, Georgia	GEL	100.00
D. Middle East and Central Asia		
Saudi BAUER Foundation Contractors Ltd., Jeddah, Saudi Arabia	SAR	100.00
BAUER LEBANON FOUNDATION SPECIALISTS S.a.r.L., Beirut, Lebanon	USD	100.00
BAUER International FZE, Dubai, United Arab Emirates	AED	100.00
BAUER International Qatar LLC, Doha, Qatar	QAR	49.00*
BAUER Equipment Gulf FZE, Dubai, United Arab Emirates	AED	100.00
BAUER Emirates Environment Technologies & Services LLC, Abu Dhabi, United Arab Emirates	AED	49.00*

* Commercial ownership is 100 percent

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
Continued: D. Middle East and Central Asia		
BAUER Nimr LLC, Maskat-Al-Mina, Sultanate of Oman	OMR	70.00
BAUER Resources GmbH / Jordan Ltd. Co., Amman, Jordan (subsidiary consolidated financial statements)	USD	100.00
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	USD	60.00
Site Group for Services and Well Drilling Ltd. Co., Ramallah, Palestine	USD	100.00
Site Drilling Ltd. Co., Nicosia, Cyprus	USD	100.00
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	TRY	60.00
BAUER Corporate Services Private Limited, Mumbai, India	INR	100.00
BAUER Geotechnical Specialized Foundation LLC, Abu Dhabi, United Arab Emirates	AED	49.00*
E. Asia-Pacific, Far East and Australia		
BAUER (MALAYSIA) SDN. BHD., Petaling Jaya, Malaysia	MYR	100.00
BAUER Foundations Australia Pty Ltd., Brisbane, Australia	AUD	100.00
BAUER (NEW ZEALAND) LIMITED, Auckland, New Zealand	NZD	100.00
BAUER Resources Australia Pty Limited, Sydney, Australia	AUD	100.00
P.T. BAUER Pratama Indonesia, Jakarta, Indonesia	IDR	100.00
BAUER Services Singapore Pte Ltd, Singapore	EUR	100.00
BAUER Hong Kong Limited, Hong Kong, People's Republic of China	HKD	100.00
BAUER Vietnam Ltd., Ho Chi Minh City, Vietnam	VND	100.00
BAUER Foundations Philippines, Inc., Quezon City, Philippines	PHP	100.00
BAUER Technologies Far East Pte. Ltd., Singapore (subsidiary consolidated financial statements)	SGD	100.00
BAUER EQUIPMENT SOUTH ASIA PTE. LTD., Singapore	SGD	100.00
BAUER Technologies Taiwan Ltd., Taipei, Taiwan	TWD	99.88
BAUER Tianjin Technologies Co. Ltd., Tianjin, People's Republic of China	CNY	100.00
BAUER Equipment Hong Kong Ltd., Hong Kong, People's Republic of China	HKD	100.00
BAUER Equipment (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia	MYR	100.00
Shanghai BAUER Technologies Co. Ltd., Shanghai, People's Republic of China	CNY	100.00
BAUER Equipment (Shanghai) Co. Ltd., Shanghai, People's Republic of China	CNY	100.00
NIPPON BAUER Y.K., Tokyo, Japan	JPY	100.00
Inner City (Thailand) Company Limited, Bangkok, Thailand	THB	49.00*
Thai BAUER Co. Ltd., Bangkok, Thailand	THB	73.99
F. America		
BAUER FUNDACIONES PANAMÀ S.A., Panama City, Panama	USD	100.00
BAUER MEXICO, S.A. de C.V., Mexico City, Mexico	MXP	100.00
BAUER Resources Canada Ltd., Edmonton, Canada	CAD	100.00
BAUER Foundations Canada Inc., Calgary, Canada	CAD	100.00
BAUER-Pileco Inc., Houston, United States of America	USD	100.00
BAUER Manufacturing Inc., Conroe, United States of America	USD	100.00
BAUER FOUNDATION CORP., Odessa, United States of America	USD	100.00

* Commercial ownership is 100 percent

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
Continued: F. America		
BAUER Resources Chile Ltda. - (subsidiary consolidated financial statements), Santiago de Chile, Chile	CLP	100.00
GWE Tubomin S.A., Colina, Chile	CLP	100.00
G. Africa		
BAUER EGYPT S.A.E. Specialised Foundation Contractors, Cairo, Egypt	EGP	55.75
BAUER Technologies South Africa (PTY) Ltd., Johannesburg, South Africa (subsidiary consolidated financial statements)	ZAR	100.00
MINERAL BULK SAMPLING NAMIBIA (PTY) LTD, Windhoek, Namibia	NAD	100.00
MINERAL BULK SAMPLING SOUTH AFRICA (PTY) LTD, Cape Town, South Africa	ZAR	100.00
BAUER RESOURCES GHANA LIMITED, Accra, Ghana	GHS	100.00
BAUER - De Wet Equipment (Proprietary) Limited, Rasesa, Botswana	BWP	51.00
2. Associated companies		
A. Germany		
Wöhr + Bauer GmbH, Munich, Germany (subsidiary consolidated financial statements)	EUR	33.33
Wöhr + Bauer Angerhof GmbH & Co. KG, Munich, Germany	EUR	100.00
Wöhr + Bauer Angerhof Verwaltungs GmbH, Munich, Germany	EUR	100.00
WÖHR + BAUER PARKING GmbH, Ettlingen, Germany	EUR	80.00
NDH Entsorgungsbetreibergesellschaft mbH, Bleicherode, Germany	EUR	25.00
Grunau und Schröder Maschinentechnik GmbH, Drolshagen, Germany	EUR	30.00
B. International		
TERRABAUER, S.L., Madrid, Spain	EUR	30.00
NuBa Equipment Ltd., Edmonton, Canada	CAD	50.00
3. Enterprises in which the company has participating interests		
A. Germany		
TMG Tiefbaumaterial GmbH, Emmering, Germany	EUR	33.33
Nordhäuser Bauprüfinstitut GmbH, Nordhausen, Germany	EUR	20.00
Harz Hotel Grimmelallee Nordhausen Beteiligungsgesellschaft mbH, Nordhausen, Germany	EUR	20.00
Harz Hotel Grimmelallee Nordhausen GmbH & Co. KG, Nordhausen, Germany	EUR	20.00
Stadtmarketing Schrobenhausen e.G., Schrobenhausen, Germany	EUR	4.67
B. International		
Open joint stock company Mostostroijindustria, Moscow, Russian Federation	RUB	15.00

Declaration of the Management Board

ASSURANCE BY THE LEGAL REPRESENTATIVES

We hereby assure that, to the best of our knowledge, the consolidated financial statements give a true and fair view of the net assets, financial position and earnings of the company in accordance with the accounting principles applicable to financial reporting, and that the Group management report depicts the course of business, including the earnings and overall situation of the Group, in such a way that a true and fair view is conveyed and the material opportunities and risks of the foreseeable development of the Group are set out.

Schrobenhausen, March 28, 2013

The Management Board

Prof. Dipl.-Kfm. Thomas Bauer
Chairman of the Management Board

Dipl.-Betriebswirt (FH) Hartmut Beutler

Dipl.-Ing. Heinz Kaltenecker

Auditors' Report

We have audited the consolidated financial statements prepared by BAUER Aktiengesellschaft, Schrobenhausen, comprising the balance sheet, the income statement and statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the Group management report for the business year from January 1 to December 31, 2012. The preparation of consolidated financial statements and a Group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German law pursuant to § (Article) 315a, Abs. (Paragraph) 1 HGB ("Handelsgesetzbuch"; German Commercial Code) are the responsibility of the parent company's Management Board. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report, based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of the audit, the consolidated financial statements conform to IFRS, as adopted by the EU, and the additional requirements of German law pursuant to § 315a, Abs. 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, and as a whole provides a suitable view of the Group's position, and suitably presents the opportunities and risks of future development.

Stuttgart, March 28, 2013

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Klaus Neubarth	ppa. Dagmar Liphardt
Auditor	Auditor

Glossary

A

ASSOCIATED COMPANIES | Associated companies are those over which a major but not controlling influence can be exerted. The shareholding is usually between 20 and 50 percent. Such holdings are valued at equity.

AT EQUITY | "At equity" is the method by which shares in associated companies are valued in the Group's financial statements. The carrying amount of the investment is adjusted according to the trend of the percentage equity held in the entity concerned.

C

CASH FLOW | This figure indicates the amount of money which a business entity generates by its own efforts and is able to use for its own purposes. It essentially comprises profit, depreciation and amortization and increases in provisions.

CONSOLIDATED REVENUES | Consolidated revenues are disclosed in the income statement. They comprise the output of the companies fully consolidated into the Group's consolidated annual financial statements.

D

DEEP DRILLING RIG (TBA) | This equipment series was developed specially to drill for particularly deep-lying raw material resources. The rigs can drill down to depths of more than 5,000 metres, and are used to extract oil, gas, water and geothermal energy.

E

EBIT | Earnings before interest and taxes.

EBIT MARGIN | The EBIT margin is a profitability indicator, describing the ratio of EBIT to the entity's sales revenues.

EBITDA | Earnings before interest, taxes, depreciation and amortization (of property, plant and equipment and intangible assets).

F

FINANCIAL COVENANTS | Some loan agreements include clauses stipulating adherence to threshold values for predefined key financial performance indicators.

FINANCIAL INSTRUMENT | Any transaction which results in a financial asset for one entity and a financial liability (or an equity instrument) for the other.

G

GROSS DOMESTIC PRODUCT (GDP) | Gross domestic product corresponds to the total value of all goods and services for consumption produced by an economy in one year. GDP is a measure of the performance (output) of an economy.

H

HGB FINANCIAL STATEMENTS | The German Commercial Code (Handelsgesetzbuch; HGB) imposes financial reporting rules on incorporated entities in Germany.

I

IFRS FINANCIAL STATEMENTS | International Financial Reporting Standards (IFRS) are applicable to stock market listed companies. The standards are issued by the International Accounting Standards Board (IASB). Their aim is to ensure the international comparability of corporate financial reporting. The BAUER Group has been preparing financial statements in accordance with IFRS since 2004.

N

NET PROFIT OR LOSS FOR THE PERIOD | The net profit or loss for the period – also referred to as the profit after tax – is the profit earned or loss made in a given period.

O

ORDERS IN HAND | Indicates the volume of orders held by a business entity at the reporting date.

ORDERS RECEIVED | Corresponds to the sum of all orders received in a specific reporting period. Orders received are an indicator of future order volumes.

P

PERCENTAGE-OF-COMPLETION (POC) METHOD | This method is applied to measure and report the profit realized on contracts extending over a protracted period of time according to their degree of completion based on the associated costs and revenues (actual and forecast).

PREMIUMLINE | The PremiumLine comprises the multi-function rotary drilling rigs of the BG series designed to handle a wide variety of foundation engineering applications. Deep vibrators or trench cutters can also be mounted on them.

R

ROTARY DRILLING RIG (BG) | BAUER Maschinen GmbH specializes in the development and manufacture of rotary drilling rigs. The machines are produced and marketed in two product lines: PremiumLine and ValueLine. They are able to carry out a wide variety of foundation engineering tasks.

S

SALES REVENUES | As opposed to the output, which comprises the value of all goods produced, the sales revenues disclosed in the income statement relate to all products and services definitively sold and billed within a period. The difference between the two values essentially stems from changes in work in progress, inventories and other income.

SEGMENTS | The BAUER Group's segments are its operating divisions: Construction, Equipment and Resources. Each segment comprises a holding company with subsidiaries beneath it, all of which have the same portfolio of products and services. Within the Group, only SCHACHTBAU NORDHAUSEN GmbH operates in all three segments.

SINKING | The term describes the execution of shafts or bore holes to mine mineral deposits or to extract resources.

STAKEHOLDERS | The term refers to individuals or groups who have a justified interest in the fortunes of a business entity. The interests of the various stakeholders may vary widely.

T

TOTAL GROUP REVENUES | In addition to the output of the consolidated companies, total Group revenues include the proportionate outputs of associated companies as well as the outputs of non-consolidated subsidiaries and joint ventures.

V

VALUE ADDED | Value added is the contribution made by a business entity to the wider society at large. Value added reflects how the output of a business is distributed across the wide variety of stakeholder groups.

VALUELINE | The ValueLine includes the rotary drilling rigs of the BG series which are optimized for the kelly drilling process.

W

WORKING CAPITAL | The working capital is the portion of the current assets which is tied up by the operational production process and by the process of selling products and services (such as receivables).

IMPRINT

Published by
BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
www.bauer.de

Registered place of business
86529 Schrobenhausen, Germany
Registered at the District Court of
Ingolstadt under HRB 101375

Photos
BAUER Group

Print
Kastner AG – das medienhaus,
Wolnzach

HOW TO CONTACT US

Contact
Investor Relations
BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
Phone: +49 8252 97-1215
Fax: +49 8252 97-2900
investor.relations@bauer.de

www.bauer.de/en/
investor_relations

www.youtube.com/
BAUERGruppe

This Annual Report is published in German and English.

The 2012 Annual Report is printed on environmentally friendly paper conforming to the standards of the Forest Stewardship Council (FSC).

BAUER AKTIENGESELLSCHAFT

Construction

BAUER SPEZIALTIEFBAU

BAUER Spezialtiefbau GmbH, the original parent company of the BAUER Group, has been a major driving force in the development of specialist foundation engineering, and carries out projects all over the world. Bauer Spezialtiefbau is organized on a regional basis in Germany, and operates on all the world's continents with over 50 subsidiaries and branch offices. Market trends have meant that most of the company's revenues are now generated outside of Germany. Bauer has major subsidiaries and branch offices in the United Arab Emirates, Malaysia, Egypt and the USA among other locations. Bauer Spezialtiefbau has built up networks in numerous regions across the world, enabling it to acquire and execute contracts both in the countries in which it is represented and in neighbouring countries, using its own machinery and in-house engineering consultancy. In addition to the predominant field of specialist foundation engineering, Group companies SCHACHTBAU NORDHAUSEN GmbH, SPESA Spezialbau und Sanierung GmbH and Wöhr + Bauer GmbH also carry out general construction activities such as civil engineering, environmental engineering and project development.

SBN SCHACHTBAU NORDHAUSEN

SPESA SPEZIALBAU UND SANIERUNG

WÖHR + BAUER

Equipment

BAUER MASCHINEN

The BAUER Maschinen Group is the world market leader in the development and manufacture of specialist foundation engineering equipment. BAUER Maschinen GmbH – the holding company for a number of subsidiaries – designs and builds heavy-duty drilling rigs, trench cutters, grab systems, vibrators and deep drilling rigs, as well as the related tooling, at its plants in Schrobenhausen, Aresing and Edelshausen. The company also operates manufacturing facilities in the USA, Russia, China, Malaysia, Italy, Singapore, Turkey and Sweden. It is supplied with components from within the BAUER Group by Schachtbau Nordhausen and Olbersdorfer Guß. The BAUER Maschinen Group operates a global sales and service network.

KLEMM Bohrtechnik

MAT Mischanlagentechnik GmbH

PRAKLA Bohrtechnik

RTG RAMMTECHNIK GMBH

EURO DRILL

TracMec

FAMBO

SPANTEC Spann- & Ankertechnik GmbH

PILECO

ABS Trenchless

SYSTEM HAUS HERR

BAUER DEWET

Resources

BAUER RESOURCES

In the Resources segment, business which have grown up over a period of years, or even decades, in the construction and equipment sectors have been consolidated within a new organization, beneath the umbrella of BAUER Resources GmbH. The segment coordinates activities in the areas of water, the environment, energy and mineral deposits. BAUER Resources GmbH is a holding company with its operating units spread across three areas: Materials, Exploration and Mining Services, and Environment.

BMU BAUER UMWELT

BWS BAUER WATER

BAUER FORALITH

GWE pumpenboese SBF-HAGUSTA

HGC HYDRO-GEO-CONSULT GmbH

ESAU&HUEBER

FORALITH Holding AG

SITE GROUP

Income Statement of the BAUER Group

in EUR '000	2011	2012	Change
SALES REVENUES	1,219,587	1,344,421	10.2 %
Changes in inventories	31,100	-22,355	n/a
Other capitalized goods and services for own account	31,375	24,249	-22.7 %
Other income	45,023	39,547	-12.2 %
CONSOLIDATED REVENUES	1,327,085	1,385,862	4.4 %
Cost of materials	-672,807	-686,834	2.1 %
Staff costs	-298,761	-325,594	9.0 %
Depreciation of fixed assets	-66,287	-76,403	15.3 %
Write-down of inventories due to use	-15,909	-15,392	-3.3 %
Other operating expenses	-191,021	-210,240	10.1 %
OPERATING RESULT	82,300	71,399	-13.3 %
Financial income	6,624	5,972	-9.9 %
Financial expenses	-40,702	-44,657	9.7 %
Share of the profit or loss of associated companies accounted for using the equity method	-689	5,549	n/a
PROFIT BEFORE TAX	47,533	38,263	-19.5 %
Income tax expense	-13,418	-12,924	-3.7 %
NET PROFIT OR LOSS	34,115	25,339	-25.7 %

Balance Sheet of the BAUER Group

ASSETS in EUR '000	31.12.2011	31.12.2012	Change
NON-CURRENT ASSETS			
Intangible assets	30,303	34,567	14.1 %
Property, plant and equipment and investment property	458,572	465,316	1.5 %
Investments accounted for using the equity method	8,803	13,133	49.2 %
Participations	3,627	3,638	0.3 %
Deferred tax assets	15,987	20,231	26.5 %
Receivables from concession arrangments	43,975	40,770	-7.3 %
Other non-current assets	10,298	8,597	-16.5 %
Other non-current financial assets	6,205	6,846	10.3 %
	577,770	593,098	2.7 %
CURRENT ASSETS			
Inventories *	467,139	429,794	-8.0 %
Receivables and other assets *	412,808	448,835	8.7 %
Effective income tax refund claims	4,786	4,515	-5.7 %
Cash and cash equivalents	24,947	45,232	81.3 %
	909,680	928,376	2.1 %
	1,487,450	1,521,474	2.3 %

EQUITY AND LIABILITIES in EUR '000	31.12.2011	31.12.2012	Change
SHAREHOLDERS' EQUITY			
Group shares	436,714	449,677	3.0 %
Minority interests	33,720	33,398	-1.0 %
	470,434	483,075	2.7 %
NON-CURRENT LIABILITIES			
Defined benefit plans **	50,732	51,859	4.0 %
Financial liabilities	387,601	465,085	20.0 %
Other liabilities **	11,590	8,674	-30.4 %
Deferred tax liabilities	12,962	19,397	49.7 %
	462,885	545,015	17.7 %
CURRENT LIABILITIES			
Financial liabilities	281,983	190,542	-32.4 %
Other liabilities	247,709	281,257	13.5 %
Effective income tax obligations	5,733	4,808	-16.1 %
Provisions	18,706	16,777	-10.3 %
	554,131	493,384	-11.0 %
	1,487,450	1,521,474	2.3 %

* / ** See footnote on page 100/101.

In the "Change" column, variations from the Group consolidated figures may occur as a result of rounding and differing presentation in EUR thousand and EUR million.

Financial Calender 2013

April 11, 2013	Publication of 2012 Annual Report Annual Press Conference Analysts' Conference
May 15, 2013	Interim Report to March 31, 2013
June 27, 2013	Annual General Meeting
August 14, 2013	Half-Year Interim Report to June 30, 2013
November 14, 2013	Interim Report to September 30, 2013

BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
www.bauer.de