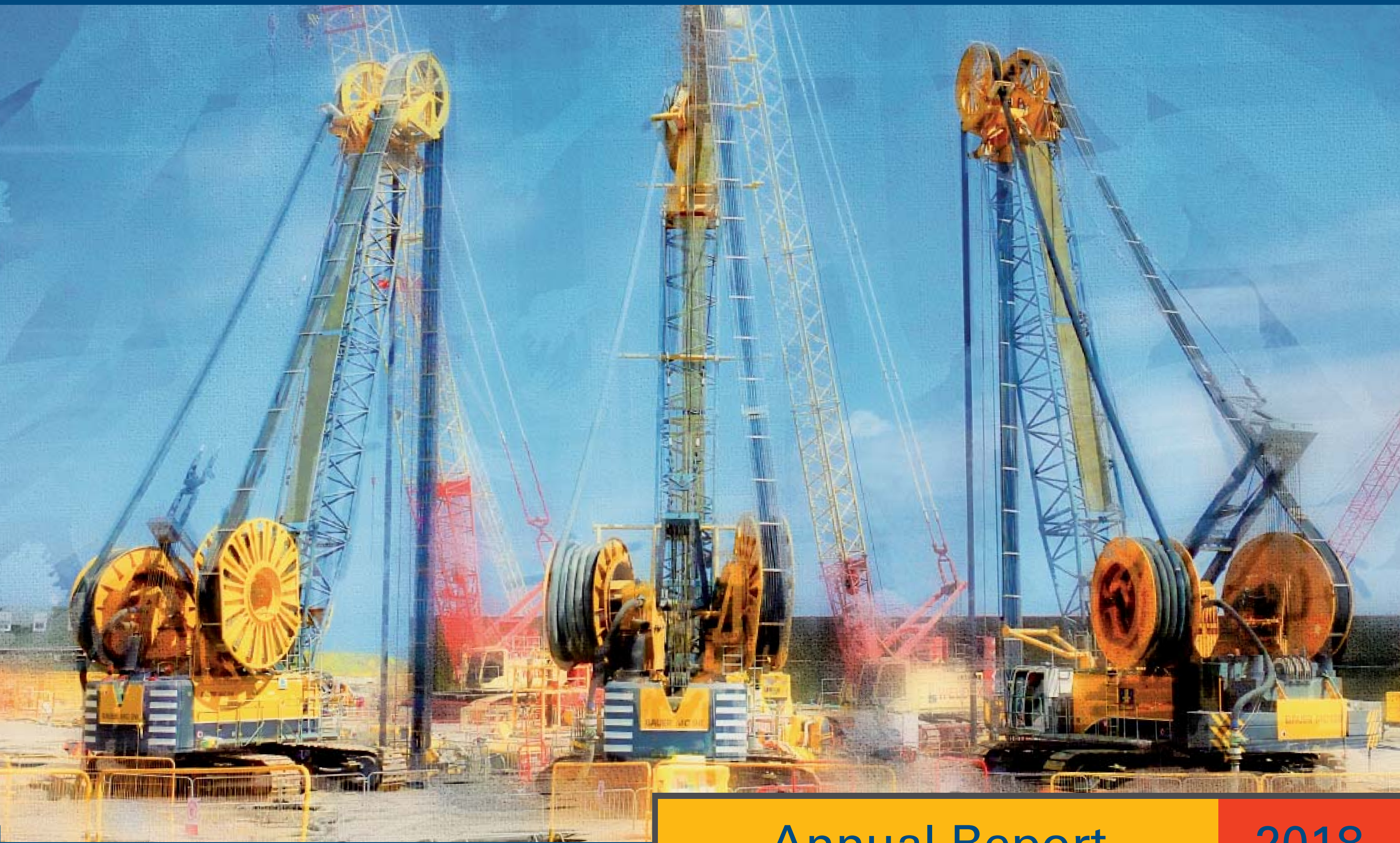


Annual Report 2018

BAUER

PASSION for PROGRESS

The BAUER Group is a leading provider of services, equipment and products related to ground and groundwater. With over 110 subsidiaries, Bauer operates a worldwide network on all continents.

The operations of the Group are divided into three future-oriented segments with high synergy potential: Construction, Equipment and Resources. The Construction segment offers new and innovative specialist foundation engineering services alongside the established ones, and carries out foundation and excavation work, cut-off walls and ground improvements worldwide. Bauer is a world market leader in the Equipment segment and provides a full range of equipment for specialist foundation engineering as well as for the exploration, mining and extraction of natural resources. In the Resources segment, Bauer focuses on highly innovative products and services in the areas of water, environment and natural resources.

Bauer profits greatly from the collaboration between its three separate segments, enabling the Group to position itself as an innovative, highly specialized provider of products and services for demanding projects in specialist foundation engineering and related markets. Bauer therefore offers suitable solutions to the greatest problems in the world, such as urbanization, the growing infrastructure needs, the environment and water, oil and gas.

The BAUER Group was founded in 1790 and is based in Schrobenhausen, Bavaria. In 2018, it employed some 12,000 people in around 70 countries and achieved total Group revenues of EUR 1.7 billion. BAUER Aktiengesellschaft is listed in the Prime Standard of the German stock market.

The Group at a glance

GROUP KEY FIGURES 2015 – 2018

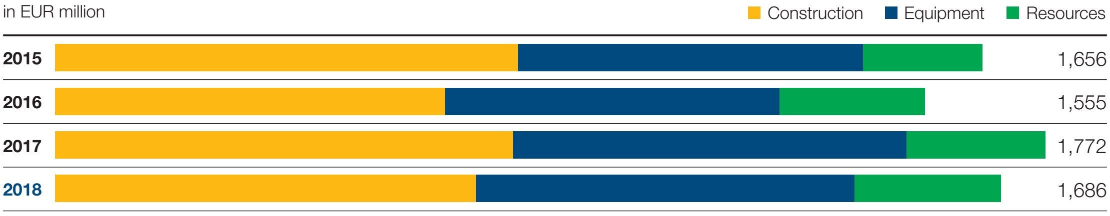
IFRS in EUR million		2015	2016	2017	2018	Change 2017/2018
Total Group revenues		1,656.4	1,554.7	1,772.0	1,686.1	-4.9%
of which	Germany	473.7	472.9	477.8	467.1	-2.3%
	International	1,182.7	1,081.8	1,294.2	1,219.0	-5.8%
	International in %	71.4	69.6	73.0	72.3	n/a
of which	Construction	742.9	713.1	835.0	767.6	-8.1%
	Equipment	753.1	634.4	754.5	723.1	-4.2%
	Resources	221.6	262.4	248.2	261.5	5.3%
	Other/Consolidation	-61.2	-55.2	-65.7	-66.1	n/a
Consolidated revenues		1,587.9	1,457.9	1,688.1	1,616.9	-4.2%
Sales revenues		1,379.0	1,396.9	1,667.9	1,589.1	-4.7%
Order intake		1,811.4	1,567.1	1,741.7	1,721.9	-1.1%
Order backlog		995.6	1,008.1	977.8	1,013.6	3.7%
EBITDA		185.1	160.3	182.6	198.6	8.8%
EBITDA margin in % (of sales revenues)		13.4	11.5	11.0	12.5	n/a
EBIT		90.7	70.3	89.6	100.1	11.7%
EBIT margin in % (of sales revenues)		6.6	5.0	5.4	6.3	n/a
Earnings after tax		29.0	14.4	3.7	24.1	n/a
Capital investment in property, plant and equipment		83.2	88.5	102.6	103.4	0.8%
Equity		451.2	434.1	418.7	431.8	3.1%
Equity ratio in %		27.2	25.8	25.9	26.5	n/a
Total assets		1,656.9	1,681.8	1,617.7	1,632.3	0.9%
Earnings per share		1.73	0.66	0.16	1.32	n/a
Distribution		2.57	1.71	1.71	1.71 *	n/a
Dividend per share in EUR		0.15	0.10	0.10	0.10 *	n/a
Return on equity after tax in %		6.9	3.2	0.8	5.8	n/a
Employees (on average over the year)		10,738	10,771	10,913	11,643	6.7%
of which	Germany	4,166	4,064	3,992	4,046	1.4%
	International	6,572	6,707	6,921	7,597	9.8%

* Proposed; subject to the consent of the Annual General Meeting to be held on June 27, 2019

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

in EUR million



CONSTRUCTION SEGMENT KEY FIGURES

in EUR '000	2017	2018	Change
Total Group revenues	835,001	767,632	-8.1%
Sales revenues	783,782	726,265	-7.3%
Order intake	742,410	822,223	10.8%
Order backlog	492,681	547,272	11.1%
EBIT	19,630	39,053	98.9%
Earnings after tax	-15,236	9,648	n/a
Employees (on average over the year)	6,467	7,078	9.4%

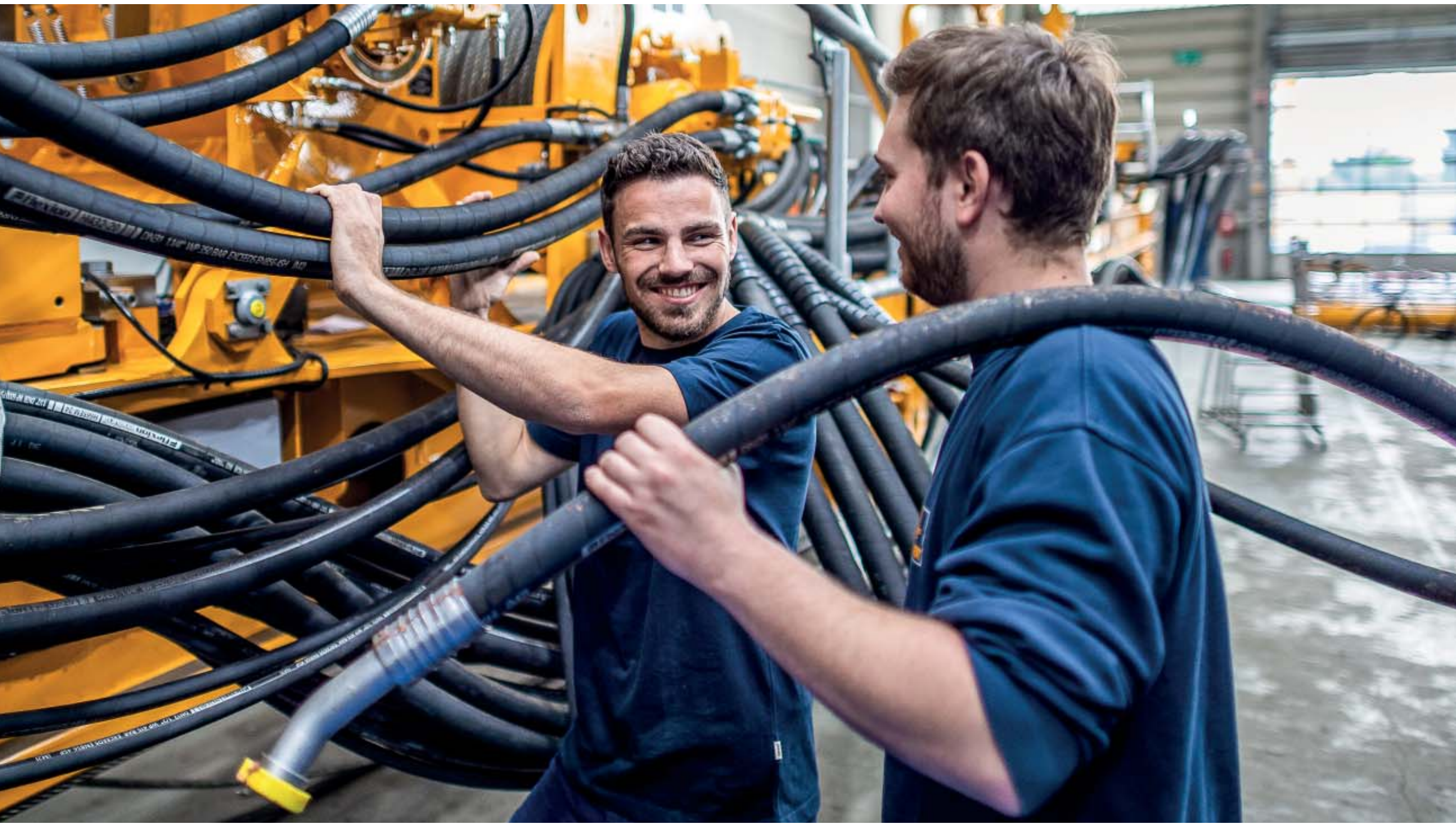
EQUIPMENT SEGMENT KEY FIGURES

in EUR '000	2017	2018	Change
Total Group revenues	754,545	723,115	-4.2%
Sales revenues	660,893	640,062	-3.2%
Order intake	759,859	723,668	-4.8%
Order backlog	149,344	149,897	0.4%
EBIT	80,574	74,858	-7.1%
Earnings after tax	40,950	33,981	-17.0%
Employees (on average over the year)	2,833	2,943	3.9%

RESOURCES SEGMENT KEY FIGURES

in EUR '000	2017	2018	Change
Total Group revenues	248,209	261,471	5.3%
Sales revenues	221,522	221,345	-0.1%
Order intake	305,185	242,178	-20.6%
Order backlog	335,771	316,478	-5.7%
EBIT	-10,023	-11,034	n/a
Earnings after tax	-22,422	-15,991	n/a
Employees (on average over the year)	1,287	1,273	-1.1%

BAUER Aktiengesellschaft
Annual Report 2018



2 Milestones in the Company's History

4 Pictures of 2018

6 Mission and Strategy

8 The World is our Market

10 **Foreword**

13 **Combined Management Report**

68 **The Bauer Share**

70 **Report of the Supervisory Board**

73 **Corporate Governance Report**

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

83 **Consolidated Financial Statements in accordance with IFRS**

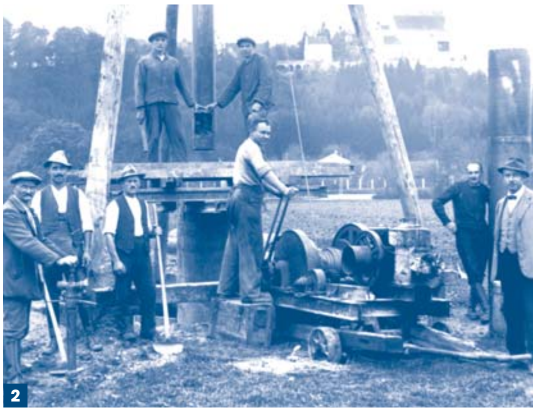
181 Audit opinion

191 Assurance by the legal representatives

192 Imprint

Milestones in the Company's History

1



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3

Dipl.-Ing. Karl Bauer

4

Dr.-Ing. Karlheinz Bauer

5

Prof. Dr. Dipl.-Kfm. Thomas Bauer

1790 – 1956

> 1790 1

Sebastian Bauer acquires a coppersmith's shop in the center 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

> 1902 2

Drilling of an artesian well for Schrobenhausen railway station

> 1928 3

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

> 1948

First works on Wittelsbacherstrasse

> 1956 4

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

1958 – 1990

> 1958

Invention of the injection anchor on the construction site of the Bayrischer 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

Work complex West begins operations; manufacture and deployment of the first trench cutter

> 1986 5

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


6


7


8

1992 – 2008

> **1992** 6

Takeover of SCHACHTBAU NORDHAUSEN GmbH

> **1994**

Founding of BAUER Aktiengesellschaft

> **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

> **2006**

BAUER AG is listed on the stock market

> **2007**

Founding of BAUER Resources GmbH; market launch of the three new segments: Construction, Equipment and Resources

> **2008**

Expansion of machinery manufacturing capacities in Aresing and Nordhausen as well as in Tianjin and Shanghai, China

2009 – 2018

> **2009**

Largest investment program in the company's history completed: administration building in Schrobenhausen, Edelshausen plant, machinery manufacturing plant in Conroe, Texas, USA

> **2012**

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

> **2013**

Bauma Innovation Prize for an underwater drilling technique

> **2015**

Joint Venture in the field of deep drilling technology with Schlumberger, the world's leading supplier of technology and project management for oil and gas industry customers

> **2016**

Start of drilling large diameter boreholes for the Kesslergrube remediation project, the company's largest single contract to date

> **2017** 7

BAUER Group commissioned to expand the world's biggest constructed reed bed treatment plant in Oman

> **2018** 8

Michael Stomberg succeeds Prof. Thomas Bauer as Chairman of the Management Board; this is the first time ever that an outside leader is at the helm

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1

3

Pictures of 2018

Sealing work at Forggensee dam 1

Located in the idyllic "Koenigswinkel" region between Fuessen, Pfronten and Schwangau in South Germany, the Forgensee lake stretches over an area of about 15.2 km². Completed in the 1950s, the Rosshaupten barrage forms the northern dam of Germany's largest water reservoir by surface area and at the same time provides the inflow for the hydroelectric power plant, generating 45 MW of hydro-electric power from a drop height of 35.4 m.

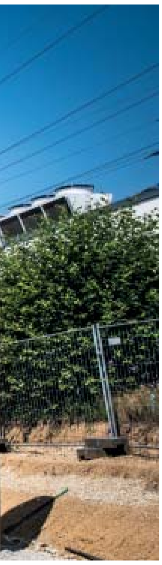
To prepare the power plant and thus the flood protection for the future, work was executed to improve the dam's watertightness. Therefore, BAUER Spezialtiefbau GmbH used a diaphragm wall grab on a BAUER MC 64 duty cycle crane and a trench cutter on a MC 96 duty cycle crane to construct a 70-m-deep diaphragm wall. At the beginning of April, work was successfully completed, not least thanks to an HDS-T turnable hose drum system from Bauer.

Large diaphragm wall contract for Bauer Technologies 2

In North Yorkshire, one of the UK's deepest underground mines is being constructed by Sirius Minerals Plc over the next five years. The mine will extract polyhalite, a high-quality organic fertiliser. The project is unique because all mining and transportation operations will take place completely under-ground, once the Woodsmith Mine is completed. This means that polyhalite can be extracted with minimal impact on the region's tourism and the North York Moors National Park.

As part of the major project, BAUER Technologies Ltd. has been contracted to build circular diaphragm wall shafts between 60 and 120 m deep. Among other equipment, three BAUER BC 40 cutters on MC 96 and MC 128 duty-cycle cranes, and three complex BE 500 and BE 550 desanding plants from BAUER MAT Slurry Handling Systems were being used in the project.

2



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The new BAUER BG 15 H ValueLine 3

With the completely redesigned BAUER BG 15 H, BAUER Maschinen GmbH is breaking new ground in the ValueLine. This state-of-the-art innovation specifically fulfills the requirements of a highly functional and cost-effective machine in the small drilling rig segment and also scores with extremely compact transport dimensions.

Increased efficiency, increased mobility, increased flexibility, increased comfort – the BAUER BG 15 H is a clear statement of functionality and, at the same time, offers all the advantages needed to face the challenges of small construction sites. Furthermore, the BG 15 H is available in two different configurations and is, therefore, extremely flexible and versatile.

Remediation of a former industrial site 4

With around 30 years of experience, the Bauer Umwelt division of BAUER Resources GmbH is one of the leading remediators of residual contamination in Germany. In a consortium with the company Fischer Weilheim, a total of around 16,000 m^3 of replacement boreholes with diameters of up to 2,000 mm were drilled up to a depth of 20 m, for a client in Stuttgart. Severe contamination of the ground and groundwater had been identified on the site of a former tar factory. The contaminated soil was excavated using the large bore hole method, stored temporarily in a tent, sampled, and then disposed of according to the load. In addition, the exhaust air resulting from the highly contaminated material was purified.

In total, around 200,000 t of soil material from the replacement boreholes and the pit excavation was disposed of. A contamination barrier that prevented the discharge of contaminated groundwater from the former industry site into the environment was also part of the overall hydraulic works.

Mission and Strategy

OUR MISSION

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

BAUER MASCHINEN

- >>> Target: ~ 40% of total Group revenues
- >>> Market leader in specialist foundation engineering machinery and equipment
- >>> New products for mining, deep drilling and offshore drilling
- >>> 80% of sales generated outside of Germany
- >>> Multi-branding strategy

RTG RAMMTECHNIK GMBH

KLEMM Bohrtechnik

BAUER MAT Slurry Handling Systems

PRAKLA Bohrtechnik

NEORig

EURO DRILL

TracMec

SYSTEM HAUS HERR

SPANTEC Spann- & Ankertechnik GmbH

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 environment, water and natural resources
- Optimization of worldwide organizational structures and of the Group's self-managed business units
- Annual growth from 3 to 8%

GWE GERMAN WATER and ENERGY GROUP

BAUER RESOURCES

BMU BAUER UMWELT

SITE GROUP

BWS BAUER WATER

- Target: ~ 20% of total Group revenues
- Activities in environmental technology, deep drilling, well construction, materials

ESAU&HUEBER

WÖHR + BAUER

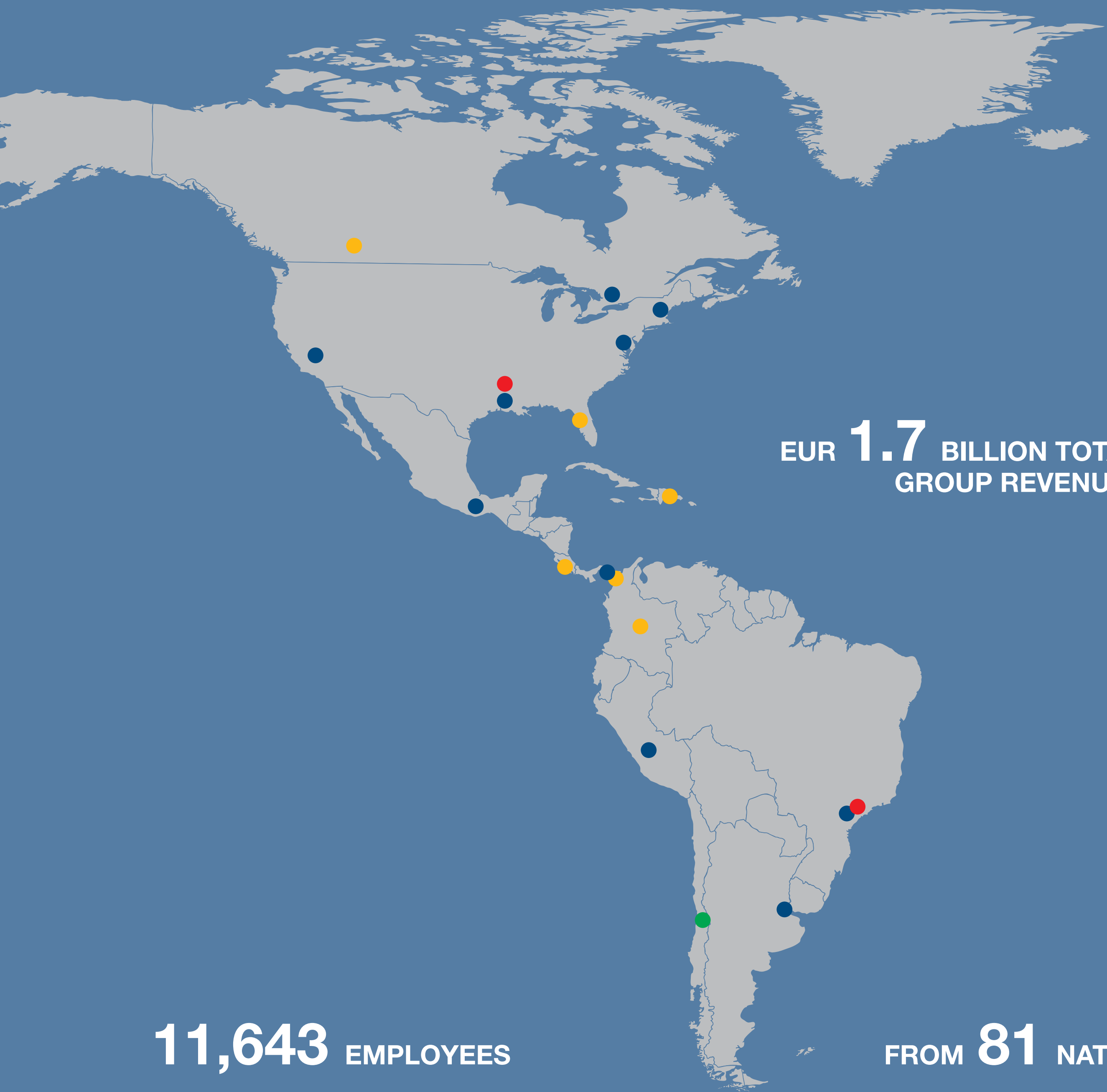
SPESA SPEZIALBAU UND SANIERUNG

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

The World is our Market

OVER **110**
GROUP COMPANIES

IN AROUND **70**
COUNTRIES



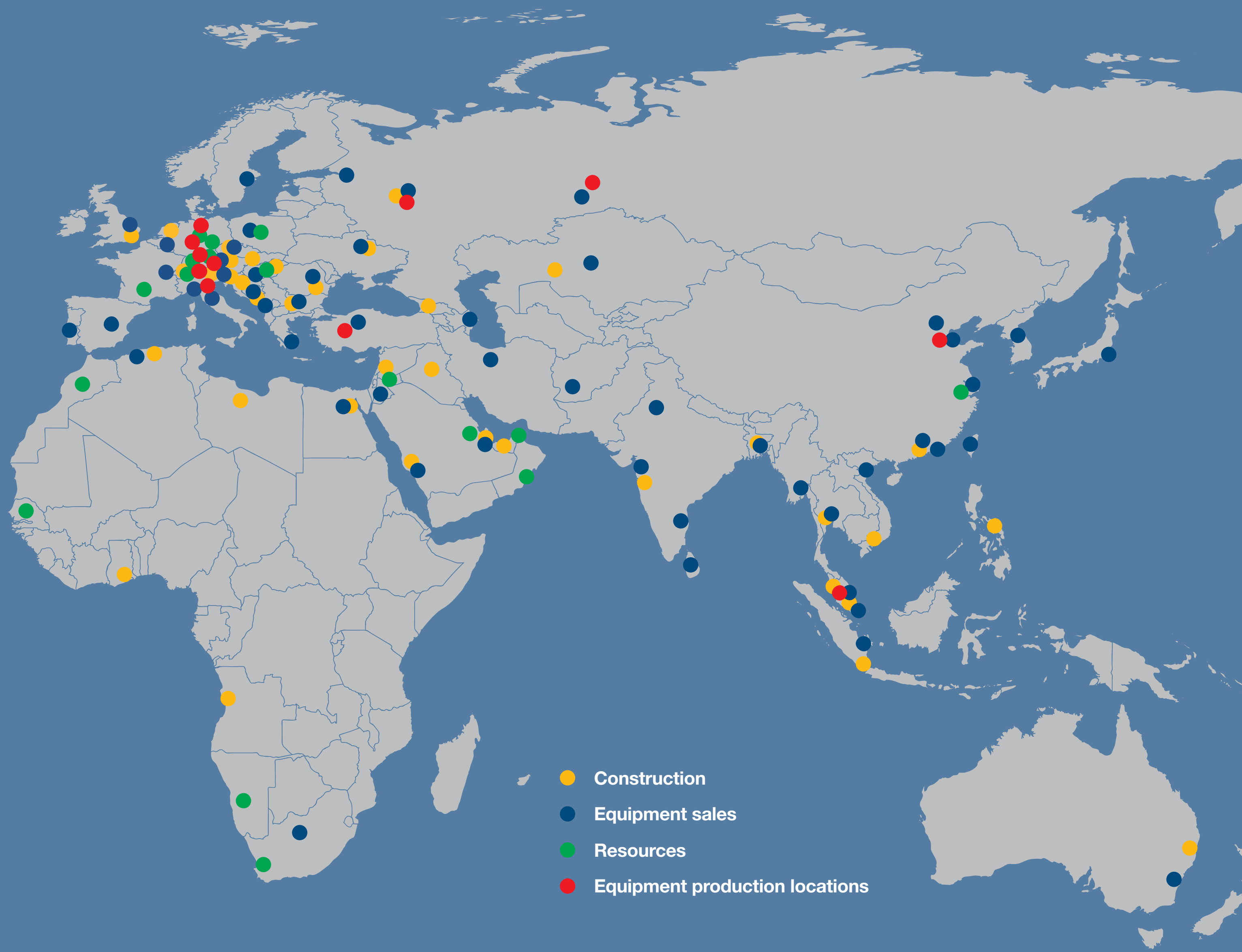
EUR **1.7** BILLION TOTAL
GROUP REVENUES

11,643 EMPLOYEES

FROM **81** NATIONS

26 PRODUCTION FACILITIES

and many other service centers and construction yards



Foreword

Ladies and Gentlemen,
dear shareholders and friends of our company,

I am pleased to present our annual report and the annual figures for the first time. The first six months in my new role as Chairman of the Management Board of the BAUER Group were characterized by in-depth dialog. Getting to know and understand this multifaceted company with its diversified operating business and highly complex technologies and methods has been and will continue to be of utmost importance to me. Similarly, it is important to me to understand the precise reasons for past successes and problems.

I am very impressed by the company's strong and honest culture as well as the open and direct interactions between employees and executives. Clear and direct communication is very important to me personally. I am confident that this openness will play an important role in the company's long-term success.

Let us now turn to the most important financial figures for 2018: At EUR 1.69 billion, total Group revenues were down by 4.9% from the previous year and are in line with our most recent forecast. We are especially pleased to have reached our targets from the last annual report, with EBIT of EUR 100.1 million and earnings after tax of EUR 24.1 million. EBIT was even slightly better than expected. As a result, 2018 was another good year for us. However, we will and can improve further.

If we look at the individual segments, we are satisfied with the operating performance of the Construction segment. Overall, we were able to complete our projects successfully from an economic and technical standpoint. Notable examples include Germany, England, the Far East, with Indonesia, Thailand and the Philippines, as well as Egypt and Bangladesh. On the other hand, we did not reach our target for total Group revenues, which meant that we had to lower the Group forecast for this key figure at the end of last year. The cause of this originated in the Middle East, in particular Dubai. We had a major order on the books in Dubai that was suddenly canceled right before the project start date.

The Equipment segment had another very good financial year in 2018 after an extremely successful prior year. We are very satisfied with the earnings figures. Once again, the main drivers for the year were the sales markets in Europe and Asia, especially China. Our equipment customers are experiencing very good capacity utilization thanks to extensive infrastructure projects in numerous countries. We have therefore continued to see strong demand for large-scale and special equipment as well as after-sales services. We expect the order situation to remain positive in 2019.

In the Resources segment, we once again closed the year with a substantial loss. In addition to further restructuring and losses posted by our business with systems for the brewing and beverage industry, this loss is primarily attributed to the continued depreciation of equipment due to overcapacity at our subsidiary in Jordan. This situation was further intensified by a lack of orders. This of course poses the question of when there will be a turnaround for the segment. We are confident that we can improve earnings in 2019. First, the losses from individual projects at our company for brewing technology are nearly leveled out. In addition, our subsidiary in Jordan has obtained a large well drilling contract and has additional opportunities. Furthermore, environmental technology, our core business in the Resources segment, continues to be profitable and currently has a record number of orders in hand. All in all, we are confident that we will be able to make significant progress towards positive earnings in the Resources segment in 2019.

In addition to addressing operational issues, we have taken another major step towards reducing our debt in 2018. We have accomplished this through numerous measures and we will continue to work intensively on that. However, it is clear that our business model necessitates substantial advance financing, and we will not be able to change that.

In my first few weeks, I have repeatedly been asked two questions: "What is your new strategy for Bauer?" And "What will you change?" I always give the same answer: There is no reason to change Bauer's strategy in the short term. Many global challenges and trends such as land consolidation and urbanization, the shift in energy policy and scarcity of resources create demand for our products and solutions. I want to foster the company's long-term success and do not want to make any changes just for the sake of change. My aim is to understand the company, especially the people at Bauer, in order to promote its strengths and continuously fine-tune it for a successful future.

I am confident that the three segments, Construction, Equipment and Resources, share many synergies and that we can further strengthen cross-segment cooperation. Florian Bauer's relatively new function on the Management Board also brings together a number of very important factors for long-term success: Group-wide cooperation in development, innovation and digitalization as well as the promotion of our corporate culture, in other words, our focus on people.

Going forward, we must continue to respond effectively to political uncertainty, the effects of conflicts and to economic crises. At the same time, we have a positive outlook thanks to the order situation, the overall strong performance of the construction markets, the enormous demand for infrastructure, the challenges of urbanization and the major issues of the environment and water.

For 2019, we expect total Group revenues of around EUR 1.7 billion, EBIT of about EUR 95 million, and earnings after tax significantly higher than in the previous year.

I would like to express my sincere gratitude to all employees, shareholders, financial partners, customers and friends of the company. You have all contributed to our success and I am confident that we are on the right path.

Sincerely,
Michael Stomberg


BAUER BG 15 H
BAUER BG 15 H

Combined Management Report

15	**I.**	**General information about the Group**
15		Group structure
15		Corporate governance and control system
16		Research and development
18		Quality
19		Employees
20	**II.**	**Business Report**
20		Macro-economic trends
21		Overview of our markets
23		Course of business
26		Construction segment
28		Equipment segment
30		Resources segment
32		Other / Consolidation segments
37	**III.**	**Earnings, financial and net asset position**
37		Group earnings position
38		Group financial and net asset position
41		Investments
42	**IV.**	**Financial Statements of BAUER Aktiengesellschaft**
45	**V.**	**Risk and Opportunity Report**
45		Risk report
51		Opportunity report
53	**VI.**	**Forecast Report**
56	**VII.**	**Legal disclosures**
56		Remuneration report
59		Statutory disclosures regarding takeovers
63	**VIII.**	**Non-financial consolidated statement**

<<< *The completely redesigned BAUER BG 15 H of the ValueLine was used for slope stabilization of a residential building in Freising, Germany.*

Combined Management Report

I. GENERAL INFORMATION ABOUT THE GROUP

GROUP STRUCTURE

The BAUER Group is a leading provider of services, equipment and products related to ground and groundwater. With over 110 subsidiaries, Bauer operates a worldwide network on all continents. The operations of the Group are divided into three future-oriented segments with high synergy potential: Construction, Equipment and Resources.

The Construction segment applies all the established methods and techniques of specialist foundation engineering all over the world. These include executing complex excavation pits and foundations for large-scale infrastructure projects and buildings, as well as cut-off walls and ground improvement. It also provides other construction services, including civil engineering and remediation works.

Bauer is a world market leader in the Equipment segment and provides a full range of equipment for specialist foundation engineering as well as for the exploration, mining and extraction of natural resources. Besides its headquarters in Schrobenhausen, the Equipment segment operates a worldwide distribution network and production facilities in Germany, China, Malaysia, Russia, Italy, Turkey and the USA, among other locations.

The Resources segment delivers highly innovative products and services and acts as a service provider with several business divisions and subsidiaries in the water, environmental and natural resources sectors. Its areas of expertise include water treatment, environmental remediation, waste management and drilling services as well as well drilling.

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, strategic purchasing, facility management, and health, safety and environment (HSE).

In the financial year gone by, there were no branch offices in the Group that were important or essential for business operations.

CORPORATE GOVERNANCE AND CONTROL SYSTEM

The principal task of the Management Board of BAUER AG is the strategic management of a global group of companies. As part of central strategies, goals and regulations, the main companies in the three operating segments – BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and BAUER Resources GmbH – 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 is the primary characteristic of corporate governance within the BAUER Group. The Managing Directors of the various 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 autonomous management of the individual operating business units is constrained by framework guidelines and standards laid down by the Group and the individual subsidiaries. The principles of proper conduct, including adherence to our ethical and moral standards, are defined among other instances by an ethics management and values program covering all the companies of the BAUER Group, flanked by corporate management guidelines and a code of conduct imposed on our employees. 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 roles of the Management Board and Supervisory Board and other aspects of corporate governance are set forth in the Declaration on Corporate Governance on pages 73 to 77 of this Annual Report, which is published on the Internet at http://www.bauer.de/ in the Investor Relations section.

Financial performance indicators

The trend in total Group revenues is used as the fundamental and significant key financial performance indicator for the management of the Group. The total Group revenues

<<< BAUER Spezialtiefbau GmbH constructed a 70 m deep diaphragm wall at Forggensee lake in Bavaria. The company worked 24 hours a day, seven days a week, sometimes under extreme weather conditions, to successfully complete the project near Rosshaupten.

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 portion of revenues in joint ventures, and from the revenues of non-consolidated companies. The trend in total Group revenues and the contributions to them by the various segments are depicted in the Business Report.

Alongside total Group revenues, earnings before interest and taxes (EBIT) and earnings after tax are used as key financial performance indicators for internal management. The Business Report details the trends in EBIT and earnings after tax in the Group. At the segment level, only the total Group revenues and the EBIT are referred to as key financial performance indicators.

A wide range of other financial performance indicators, which are of comparatively minor significance to the medium- and long-term development of the Group, are collated and integrated in the course of internal Group management activities. They primarily comprise balance sheet and income statement figures and the indicators of capital structure, profitability and liquidity derived from them.

Non-financial performance indicators

Many non-financial indicators of Group performance are measured as part of a comprehensive reporting system, although they have no individual material significance in terms of internal controls and other respects. The reporting on trends in these performance indicators is primarily intended to convey an overall picture of the operations of the BAUER Group.

The indicators included originate, among other sources, from the human resources function, such as workforce numbers. Performance indicators on further and advanced training as well as others derived from the research and development field are also reported.

RESEARCH AND DEVELOPMENT

The BAUER Group once again invested substantial sums in developing new construction methods and equipment as well as for research purposes in fiscal 2018. We primarily focused on developing and continually improving a wide range of equipment for specialist foundation engineering as well as the appropriate drilling tools and add-on units. This is flanked by the new development and optimization of construction site applications and methods.

Research and development work in the BAUER Group is organized on a decentralized basis. In companies belonging to BAUER Maschinen GmbH, each major product group has its own development unit that concentrates entirely on the corresponding equipment, such as rotary or anchor drilling rigs. Within BAUER Maschinen GmbH, the diversified product range is divided into business divisions that constantly develop their equipment families and pursue innovation. The central development department works on the technologies and components of a machine that are used in several product groups. Basic research work is also located in the central development department. Development work in the BAUER Maschinen GmbH subsidiaries is grouped into the system described above.

Our construction divisions also have their own development capacities. In particular, BAUER Spezialtiefbau GmbH maintains a department for construction technology which develops new methods and conducts fundamental research.

To promote research that might be of Group-wide importance, internal and external orders for research work are placed via the BAUER Forschungsgemeinschaft (research community). Seemingly simple ideas sometimes give rise to outstanding new techniques that help our companies to achieve technological advances.

This type of overall organization for research and development work has proven highly effective. The rapid decisions and great flexibility mean that all products can be kept at the leading edge and new ideas and market requirements can be implemented rapidly.

The significance of these topics for the Group was reinforced when Florian Bauer joined the Management Board of BAUER AG on January 1, 2018 and assumed responsibility for the Digitalization and Development Coordination functions. Digitalization in particular is always growing in priority in the BAUER Group. An important driving force for digitalization in construction is for instance Building Information Modeling (BIM). This trend will also continue to grow in mechanical engineering and influence many of the business processes. In order to promote a unified strategy throughout all parts of the Group, the Digitalization function has been added under the leadership of Florian Bauer, who was already responsible for implementation of the concept “digital construction” in the Construction segment.

Important components for applications in specialist foundation engineering were developed in the area of “Building Information Modeling” (BIM). This work received special recognition when the b-project data management software was nominated for the Bauma Innovation Award 2019 in the category Construction/Construction Methods/Building Processes.

The software is a central tool for digitally collecting, linking and analyzing all relevant data during project execution. This includes a number of applications, whether it be transferring planning data from the design office to the construction site, inputting and analyzing digital machine production data, generating pre-completed reports for site managers, or storing test specimen lists and technical progress reports. The digital machine data generated on Bauer drilling rigs form the basis of the production reports generated in b-project. By providing evaluations for process control, process optimization and invoicing, b-project will make it possible to digitally capture and represent almost the entire construction site workflow in the future.

We are also developing new applications for our equipment and assistance systems in order to ensure visually appealing data visualization and widely available, efficient data management as well as features that make work easier for customers.

Assistance systems are the technical solution for a complex work environment. Repetitive operations are automated by the Bauer B-Tronic system. Fast regulation and control processes boost drilling performance. In this way, the rig operator’s workload is reduced, the wear on the equipment and the drilling tool is minimized, the accuracy of processes is improved and user-friendliness is increased.

These innovations include the Adaptive Kelly speed assistant, the Kelly drilling assistant and one-directional and bi-directional spoil discharge assistant, which are the fundamental components of assisted Kelly Drilling. These assistants have been continuously enhanced and deployed on numerous construction sites. At a construction site in Bangkok, for example, a Kelly bar was fully automatically retracted and extended into the bore hole over 1,000 times, reducing work for the rig operator and increasing safety.

A range of innovations has been introduced in recent years for reducing noise emissions, lowering diesel consumption and increasing efficiency. An MC 96 duty-cycle crane with electric drive technology was presented at Bauma 2019. The rig is locally emission-free during operations, making it ideal for use on diaphragm wall construction sites in inner cities.

The rigs have also been enhanced for compliance with legal standards. In Europe, the EU Stage V emission standard went into force at the beginning of 2019. NRMM Stage IV will go into effect in China in 2020. Bauer equipment uses advanced diesel engines with particulate filters and SCR systems that meet the most stringent requirements for particulate and nitrogen oxide emissions.

Research and development in the BAUER Group

	2017				2018			
	Construction	Equipment	Resources	BAUER Group	Construction	Equipment	Resources	BAUER Group
Total Group revenues (in EUR million) *	819.4	705.0	247.6	1,772.0	755.0	671.8	259.3	1,686.1
Expenses for R&D (in EUR million)	3.2	21.4	1.6	26.2	2.9	20.9	1.8	25.6
as % of total Group revenues	0.4	3.0	0.6	1.5	0.4	3.1	0.7	1.5
Group employees	6,467	2,833	1,287	10,913	7,078	2,943	1,273	11,643
R&D employees	40	195	17	252	38	196	19	253

* After deduction consolidation

For many years now, our products and services have extended well beyond the bounds of specialist foundation engineering. The BAUER Group today is a provider of services, equipment and products in all fields dealing with 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 practiced with great intensity by all Group units.

In the environmental sector, our Resources segment is pioneering new methods of treating polluted water, especially microbial processes such as reed bed treatment plants. Recent innovations include a containerized mobile plant-based purification facility for treatment of waste water. The ReedBox can be used on construction sites, oil and gas drilling sites or in rural areas. Treatment of polluted groundwater is another focus of these innovations. Based on experience at a particular construction site, Bauer Umwelt developed a three-stage plant solution called the EcoVert method, with which even organically polluted water with strong ferric and lime content can be safely purified without having to add chemicals or use energy-intensive ventilation systems. Like the ReedBox, this system can also be used as a containerized, mobile solution.

In the Equipment segment we invest 3.1% (including internal and project-related expenditure) of the corresponding portion of total Group revenues in research and development. Some 196 employees are involved in this field, as well as outside consulting engineers and interns. Research and development activities are routinely reviewed and maintained at a high level to keep pace with the ever increasing rate of change in market demands.

Research and development expenditure in the Construction segment is 0.4% of corresponding total Group revenues, and 0.7% in the Resources segment. We are investing considerable further resources to prepare and design construction sites. These expenses are leading to a general increase in the expertise base of the segments.

QUALITY

Quality is the basis for the worldwide success of the BAUER Group and is therefore one of the fundamental concerns of senior management. Our quality management system is based on ISO 9001 as well as on other applicable government and industry standards.

We must do everything in our power to maintain and, where possible, further develop our customers' trust in our companies and the quality of our products, services and equipment, earned over many years. We work hard to understand the needs and expectations of our customers so we can then meet them quickly, reliably and cost-effectively. This requires clear organization, a strong commitment to teamwork as well as an overwhelming desire to avoid mistakes, improve and innovate.

We firmly believe that errors and deviations in the delivery of our products and services are generally avoidable. By introducing a quality management system as part of a continuous improvement process, we work constantly on improving the quality of our products and services based on the zero error principle. Besides commercial success of our companies, the main benchmarks for our success are our satisfied customers and staff.

We regularly assess achievement of planned quality targets using key figures and audits. Deviations are analyzed and eliminated rapidly. The findings from these processes form part of regular training for our employees. Deficiencies found in the management review or potential improvements are used to further improve systems in the next planning run.

We motivate our employees through the management, who serve as models for a commitment to quality, set challenging targets, delegate sufficient responsibility and appreciate good work. Only active cooperation allows quality targets to be reached rapidly.

EMPLOYEES

The companies of the BAUER Group employed an annual average of 11,643 employees all over the world (previous year: 10,913). They are divided up as follows:

- **Construction segment:** 7,078 employees (previous year: 6,467)
- **Equipment segment:** 2,943 employees (previous year: 2,833)
- **Resources segment:** 1,273 employees (previous year: 1,287)
- **Other segment:** 349 employees (previous year: 326)

The trend in personnel numbers within the Group was in line with our expectations. Larger fluctuations are mainly at international locations. These are often caused by the kind of construction projects being dealt with here.

By the nature of its operations, the workforce of the **Construction segment** is subject to the greatest fluctuation, depending on the number of major projects being handled in specific countries. The largest increases were seen at subsidiaries in the Philippines (429 employees), Egypt (194 employees), Bangladesh (145 employees) and Great Britain (87 employees). The number of employees in Canada and Vietnam dropped after major projects were completed there. In some countries, such as Qatar and the United Arab Emirates, fewer people were employed in the year under review than in the previous year owing to the weaker state of the market. There was an overall significant increase in the number of employees in Construction primarily as a result of personnel recruited for specific projects.

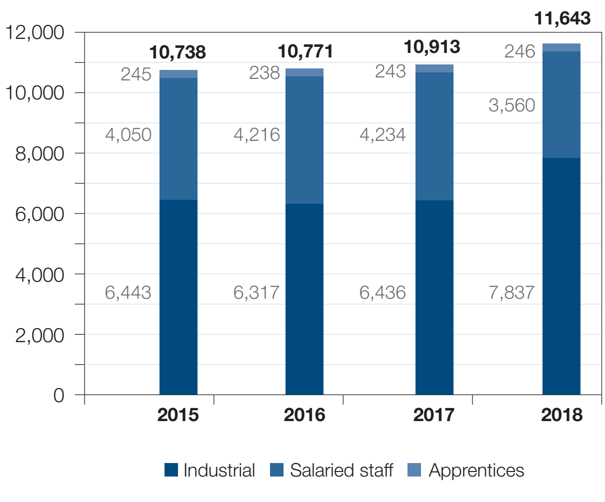
The number of employees in the **Equipment segment** has risen slightly. BAUER Maschinen GmbH itself gained 56 employees. We added 52 new employees at our plants in the Far East. The number of employees at individual subsidiaries in Germany fell slightly. Our joint venture with Schlumberger in the US employed 48 fewer people due to the lower order situation. 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.

There was a slight decrease in the number of employees in the **Resources segment**. This decrease is mainly attributed to the German subsidiary for well engineering materials, which employed 23 fewer people. BAUER Resources GmbH grew by 19 employees, which was due to the very good order situation in the environmental business. There were only minor changes at the other companies in the segment.

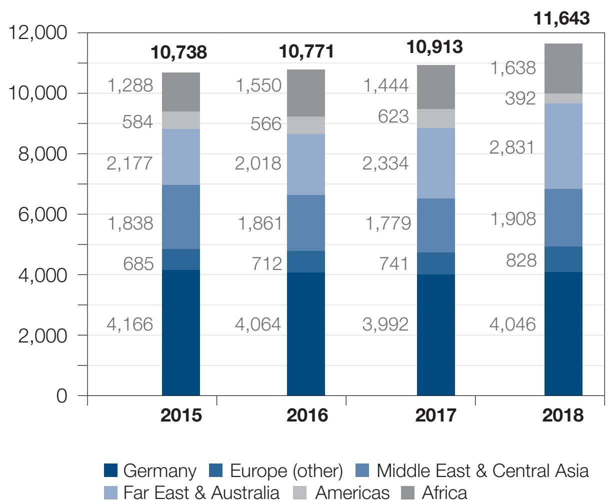
There was a slight increase in employees in the **Other segment**, which mainly comprises BAUER AG and its centralized functional areas.

Further information on employees can be found in the non-financial consolidated statement starting on page 63.

Employees by employment type



Employees by region



II. BUSINESS REPORT

MACRO-ECONOMIC TREND

The outlook for global economic growth has worsened for the first time in recent months, although it is still unclear what the exact causes are. The political environment and sources of conflict have not changed to such an extent that the reasons can be easily pinpointed. In addition, no significant new issues have emerged. The well-known problem areas are the trade conflicts between the USA, Europe and China, Brexit, ongoing wars and tensions in the Middle East, sanctions against Russia and Iran, the problematic fiscal situations of several key countries, such as Italy, and the constantly volatile commodity markets, especially for oil. Additional factors include the ongoing move toward electric vehicles in the auto industry, booming real estate markets, advancing digitalization – including everything from ideation to testing to execution – and heavy dependence on China as a growth engine. All this influences economic growth. The global economy is having to adjust faster and faster to changes at short notice. It has succeeded surprisingly well at this in recent years. However, there are increasing signs that the stable growth since the global economic crisis in 2008 is now slowing down after roughly ten years.

Forecasts and appropriate decisions remain very difficult in this environment: what will the next crisis be? Which market will be next to collapse, and what opportunities will arise soon? How long will China remain a reliable driver for the global economy and how will trade conflicts affect the future? How fast is digitalization progressing? The answers to these questions are very important for the continued development of the global economy and the company, and also increasingly difficult to find due to the diversity of the topics.

Considering the different trends, it can be assumed that the political and economic leadership positions of China, the USA, the EU, Russia and the Middle East will be reshuffled. The Chinese market as well as Chinese industry will become increasingly important for the international markets. Digitalization, climate change, continuing urbanization and resource scarcity will also play a significant role in future developments.

For many companies, the greatest challenge is to find the right way to deal with the future trends, especially digitalization, and the associated social change, and develop corresponding strategies in good time. In many places, the speed of this change is still underestimated and corporate structures are not being adapted fast enough, which can soon become a competitive disadvantage for some companies.

The BAUER Group recognized these trends early on and developed appropriate strategies. With a global footprint, a far-reaching digitalization strategy and innovative technologies and services, we want to tackle the future as a trailblazer in our markets.

According to the major research institutes, the world will continue to grow by 3%. This presupposes that the construction markets will continue to expand as an important driver of economic growth. Nevertheless, growth in global construction markets is expected to slow. Whereas growth was about 3.5% in 2018, only about 3% growth is expected for 2019. This is attributable to the slowdown in overall economic growth, but also to changes in the financial environment, such as rising interest rates in the USA. Still, there are stable growth expectations for companies in the specialist foundation engineering sector, as construction is taking place in ever more densely developed urban spaces. This will also require taller and taller buildings, necessitating extensive foundation work. Parked vehicles and traffic flows must also be relocated underground to an increasing extent, which will also lead to growth in the specialist foundation engineering sector. Also, many buildings and accompanying infrastructure projects will no longer involve new construction, but will be converted or expanded instead. The necessary preparatory measures in the subsoil will also increase significantly, as unusual constructions must

Construction statistics Germany – Change 2017 / 2018

in %	Revenues	Order intake	Employees
Residential construction	10.8	11.2	---
Commercial construction	12.0	12.6	---
Public construction	9.5	13.2	---
Total	10.8	10.0	4.9

Source: Central Federation of the German Construction Industry be created and the work must be performed in extremely confined spaces. In principle, stable trends can therefore be expected, which could vary significantly by global region due to short-term events.

For a specialist company that operates worldwide like ours, the global trends offer a long-term positive market environment in spite of the rapidly changing markets.

OVERVIEW OF OUR MARKETS

After ten years of growth, slower overall expansion is expected in the construction markets for the coming years. Nonetheless, there is immense pent-up demand in the construction sector, both in the emerging economies and in the established industrial countries. The ever increasing urbanization and rising demand for infrastructure result in larger and larger construction projects, which create many interesting project opportunities for the construction sector. The established economies of the world have built far too little for many years. Today, we are finding that buildings must also often be adapted to the needs of people and the economy. That is not only true of the traffic infrastructure, but also for residential complexes, public buildings, dams or flood protection measures. Outside of the construction market, which is our primary market, we are also seeing positive overall trends for the future in the mining, water, renewable energies and environmental technology areas. This growth is triggered by the general demand for these products and services.

The BAUER Group's very good order backlog is distributed relatively evenly across the regions of the world and currently shows no signs of weakening. The construction equipment markets are directly tied to the situation in the construction industry.

Aside from these general trends, the current developments and future prospects for construction markets in the various regions around the world can vary considerably:

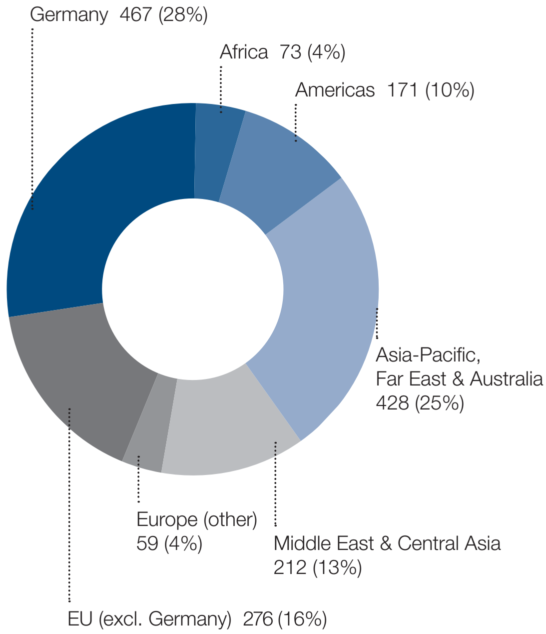
Germany

The positive trends in the German construction market in 2018 were largely driven by building construction and commercial construction. Planned infrastructure construction

Geographical breakdown of total Group revenues

in EUR million

Total 1,686



projects will be launched in the German market in the next few years and will compensate for the noticeable slowdown in residential construction. This is being driven by continued low interest, state subsidies and a persistent high backlog in conurbations. Public sector construction is benefiting from an immense deficit in infrastructure, for which federal funding is available. This also applies to states and municipalities. In part, the poor state of the infrastructure has already had a major impact on freight traffic, necessitating enormous expenditures in this area. The ongoing discussion on inner city pollution could also require further significant investments in expanding local passenger transport. Investments in commercial construction are expected to remain stable despite a general slowdown in economic growth.

Europe

On the whole, stable growth is expected for construction markets in Western Europe, although this growth will vary from country to country. In Spain, demand for construction is expected to continue rising. Other major construction markets, such as Germany, France and England, are expected to grow at the level of the previous year. The effects of Brexit, rising interest rates and a general slowdown in the economic outlook are risks that could affect the construction sector as a whole.

The markets of Eastern Europe are well stabilized overall and are showing sustained growth. In this region, Hungary and Slovenia are experiencing particularly healthy growth. In many other nations, the construction investments remain at a very low level due to a lack of funding. The ongoing crisis in the Ukraine continues to cause considerable damage to the local economy. As a result, there is very little money available for construction. Despite continuing sanctions, Russia is trying to finance the construction sector with a smaller budget.

Middle East & Central Asia

The countries of the Middle East continue to be dominated by the ongoing crises in the region. This continues to require austerity measures in all of the affected nations. This has caused construction investment activities to slow considerably in the last two years. In residential construction, projects are only being implemented in stages, or are being postponed entirely. An increasing vacancy rate of residential and office real estate encourages this trend. Oil and gas sectors have reduced their investments significantly. Infrastructure projects are also being implemented more slowly or delayed as a result. For the construction sector, this leads to increased competition to which the companies must react. The US withdrawal from the international nuclear agreement with Iran and the imposition of new sanctions are bringing the Iranian economy to a standstill. The region is not expected to recover in the near future.

In Egypt, the economy is developing towards an uncertain future. The huge government spending of the recent years, which can no longer be adequately covered by foreign aid, has led to considerable problems for the government. However, there are still many large public construction projects in the country that are heavily funded by foreign financing. In the private sector, residential construction has been stimulated by very low construction costs for investors due to foreign currency effects.

In the markets of South Asia, such as India, Bhutan and Bangladesh, the general demand for infrastructure and energy supply is constantly resulting in interesting projects for the construction industry as a whole and specialist foundation engineering in particular.

Asia-Pacific, Far East & Australia

Construction markets in the Far East, with the exception of Malaysia, remain healthy and strong. Almost every country in the region is undertaking major infrastructure projects. Malaysia’s construction investments have stalled as a result of the change of government and infrastructure projects have been reexamined. However, a return to growth is expected in the future. Economies such as Indonesia, the Philippines and Thailand are also seeing healthy growth. In Australia, the construction sector is benefiting from a multi-billion investment program for infrastructure.

The construction sector in China remains at a high level, but due to strong local competition and government regulations, there are hardly any opportunities for foreign companies to operate in the local construction industry. Sales of construction equipment in China reached a new all-time high last year. All construction equipment manufacturers benefited from this. The demand situation is expected to remain positive again in 2019. The strong growth in the construction market also presents risks of a collapse, which could have a significant impact on the world economy.

Americas

In the USA, policy-driven trade, tax and financial risks are driving growth and impacting the construction sector, which is expected to show the first signs of a slowdown in 2019. Regardless of this trend, a very high level of backlog demand has arisen in many infrastructure areas, due to a lack of adequate investment over recent decades. Strong efforts will be made in the coming years to make up for this deficit. In Canada, the construction market is rather weak, with some large-scale projects. The same applies to the countries of Central and South America.

Africa

In Africa, active pursuit of new business is worthwhile even if the overall economic level of these countries does not permit a very great contribution to our total Group revenues. A slight recovery in commodity prices suggests a small increase in investment, especially in the mining sector, which would stimulate the economy as a whole.

Due to the current problems around the world, important areas for the future like the environment, demographics, energy and water have become secondary. These challenges will increase in importance as a result of the growing social problems in many countries. These problems can only be resolved through more intensive efforts in the areas of construction and environmental engineering.

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

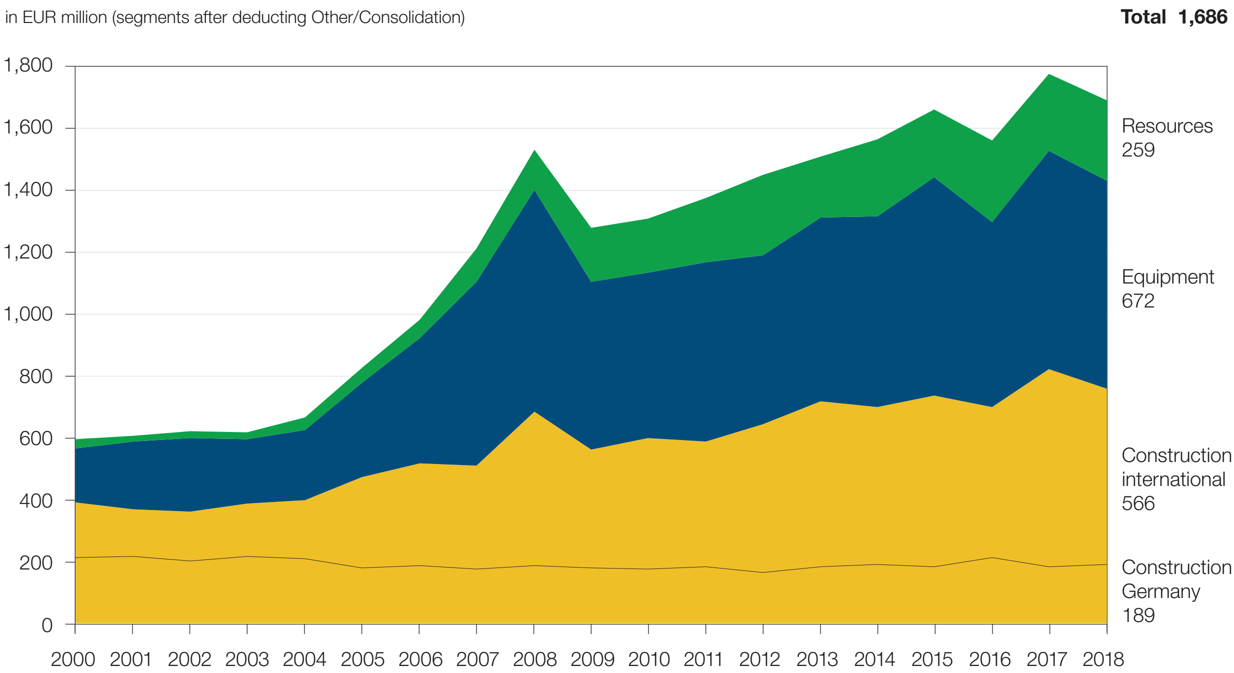
COURSE OF BUSINESS

The BAUER Group achieved **total Group revenues** amounting to EUR 1,686.1 million during the 2018 financial year, 4.9% below the previous year's figure of EUR 1,772.0 million. **EBIT** rose significantly to EUR 100.1 million (previous year: EUR 89.6 million). **Earnings after tax** increased from EUR 3.7 million to EUR 24.1 million.

The BAUER Group started the year with lower revenues compared to 2017. Revenues in the Construction segment were unusually high in the previous year thanks to several major projects that generated significant revenues. As the year progressed, insufficient capacity utilization as well as project postponements and cancellations, which were mainly caused by the weak market in the Middle East, resulted in the overall significant decline in revenues. As a result, the forecast for total Group revenues was lowered from approximately EUR 1.8 billion to approximately EUR 1.7 billion in the 9M/Q3 quarterly statement published on November 13, 2018. The earnings forecast remained unchanged. We had originally forecast total Group revenues of around EUR 1.8 billion, EBIT of around EUR 90 million and earnings after tax well above the previous year.

Development of total Group revenues by segment

in EUR million (segments after deducting Other/Consolidation)



Apart from the aforementioned effects on total Group revenues, the Construction segment had a successful year from an operational and technical point of view. In many countries and subsidiaries, projects with good to very good contributions to earnings were executed. These include Germany, England, Bangladesh, Indonesia, Thailand and the Philippines. Underutilization in the USA and especially the Middle East prevented the Construction segment from contributing more significantly to consolidated earnings.

After a very good financial year in 2017, the Equipment segment once again generated very strong levels of revenue and earnings in 2018. These highly satisfactory results are attributed to the markets in Europe and Asia, especially China, further improvements at subsidiaries and profitable business in large-scale and special equipment as well as after-sales service.

As in the previous year, the Resources segment was impacted by significant losses caused by its well drilling subsidiary in Jordan, which were mainly the result of underutilization. There was also underutilization in the area of brewery and beverage technology. The environmental business, which has been performing well for years, could not compensate for these losses.

In comparison with the previous year, two significant factors impacted the key earnings figures for 2017. On the one hand, the unexpected outcome of arbitration proceedings in the Construction segment necessitated a reassessment of the receivables in the balance sheet by slightly more than EUR 20 million and had a very negative impact on earnings. On the other hand, strong currency effects also had a negative effect in the previous year. The balance between currency gains and losses was EUR -22.5 million in 2017. That figure was EUR -4.3 million in 2018.

At EUR 1,013.6 million, the Group's **order backlog** stood at a very pleasing level at the end of 2018 and was up 3.7% from the previous year's figure of EUR 977.8 million. Nevertheless, the order backlog in the Construction segment is distributed across all regions of the world and is at a good level for the future. In the Equipment segment, the order backlog remained at the previous year's level and was slightly lower at the end of the year than during the year, which is consistent with seasonal trends. In the Resources segment, the order backlog decreased slightly compared to the previous year.

A significant change in the management structure of the Group was implemented at the beginning of November 2018. For the first time in the history of the company, an outside executive, Michael Stomberg, became the new Chairman of the Management Board of BAUER AG and joined the senior management of the BAUER Group. Michael Stomberg comes from the Bavarian mid-sized company EagleBurgmann, which is very internationally oriented and belongs to the family-owned Freudenberg group. He previously served as Chief Operating Officer here. Prof. Thomas Bauer joined the Supervisory Board and has taken over the Chairman position.

Summary

The 2018 financial year was profitable in terms of an operational perspective, mainly because earnings targets were achieved despite the decline in total Group revenues. The

Forecast/actual comparison 2018

in EUR million	Forecasts		Actual 2018
	April 12, 2018	November 13, 2018	
Total Group revenues	~ 1,800	~ 1,700	1,686
EBIT	~ 90	~ 90	100.1
Earnings after tax	significant increase	significant increase	24.1

realignment of business divisions and the reorganizations of recent years have contributed to this. These restructurings are being systematically continued in the necessary areas. This also includes the measures initiated in the areas of purchasing, value analysis and production as well as measures to reduce working capital. Overcapacity in the area of well drilling once again had a negative impact on the Resources segment. However, we are able to utilize this capacity in 2019 thanks to a large well drilling contract. Thanks to these factors, the measures implemented and the continued overall good market expectations, we have a positive outlook for the current financial year.

In Basel, Switzerland, the local Bauer subsidiary constructed a secant pile wall with a diameter of 1,200 mm and foundation piles with a diameter of 1,500 mm for the second tower of a pharmaceutical company. Once the project was completed, the two BG 39s were lifted out of the excavation pit.

CONSTRUCTION SEGMENT

in EUR '000	2017	2018	Change
Total Group revenues	835,001	767,632	-8.1%
Sales revenues	783,782	726,265	-7.3%
Order intake	742,410	822,223	10.8%
Order backlog	492,681	547,272	11.1%
EBIT	19,630	39,053	98.9%
Earnings after tax	-15,236	9,648	n/a
Employees (on average over the year)	6,467	7,078	9.4%

General conditions

Growth in global construction markets continued unabated in 2018. This growth is constantly propelled by the great need for infrastructural works such as roads, bridges, dams and energy supplies as well as increasing urbanization. Due to urbanization, construction is having to take place under increasingly complex and difficult conditions. As a result, more specialist foundation engineering work is needed, and specialist foundation engineering continues to be a promising market for the future.

Germany had a very buoyant construction market in the year gone by, although there were not very many large public infrastructure projects. There was also overall growth in the rest of Europe, but performance varied in the different markets. In North America, Canada was significantly weaker, especially in the west, while the US fell short of expectations, despite immense demand. This also applies to the countries of Central America. The Far East is still characterized by many construction activities. The Middle East continued to be weak and problematic. The ongoing blockade of Qatar by several neighboring countries continues to bring considerable uncertainty. Other contributing factors include the continued low price of oil and heavy military spending by governments. Similarly, the construction market in Russia also remains weak.

Significant events

The Construction segment generated **total Group revenues** of EUR 767.6 million in the 2018 financial year, which, at 8.1%, fell more than expected below the exceptionally strong prior-year figure of EUR 835.0 million. **EBIT** amounted to EUR 39.1 million and was therefore considerably better than the previous year's figure of EUR 19.6 million. **Earnings after tax** amounted to EUR 9.6 million. In the previous year, earnings were very negative at EUR -15.2 million.

Total Group revenues were unusually high in the previous year thanks to several major projects that generated significant revenues. Therefore, we had already planned for a decline in 2018. Insufficient capacity utilization as well as project postponements and cancellations, which were mainly caused by the weak market in the Middle East, meant that the decline in revenues was stronger than expected in the region. As a result, earnings figures were also negative in this region.

In the previous year, the unexpected outcome of arbitration proceedings necessitated a reassessment of the receivables in the balance sheet by slightly more than EUR 20 million and had a very negative impact on earnings. This resulted in a significant year-over-year increase compared to 2017.

Overall, the financial year for the Construction segment was pleasing from an operational point of view, given that all large-scale projects, such as contracts in England and Bangladesh, were successfully carried out. The fourth quarter in particular contributed significantly to revenue and earnings thanks to the completion of major projects. The biggest negative impact on earnings was attributed to our subsidiaries in the Middle East, where construction markets were weak as a result of low oil prices and political uncertainty. There were also negative contributions to earnings in Hong Kong and the USA.

We benefited from the overall positive market environment, especially in Europe and the Far East. In Germany, we significantly increased revenues as well as earnings. In Europe, we achieved good results, above all in England, but also in Hungary. In the difficult Russian market, revenues declined after major orders were completed. In Switzerland, the Netherlands and Austria, our capacity utilization was too low.

The markets in the Middle East, such as Qatar, the United Arab Emirates and Saudi Arabia, were weak, as described above. We had to accept negative results in these markets due to underutilization. We acquired a large project in Jordan for 2019, which should have a positive effect on capacity utilization there. Once again we were pleased with our subsidiary in Egypt, which was able to make a good contribution to earnings with high capacity utilization. In Africa, contributions to earnings were very low in accordance with our activities there.

The market environment was positive in the Far East. As a result, we performed very well in the region, especially in Indonesia, Thailand and the Philippines. Earnings fell below expectations in Malaysia due to a difficult environment and postponements in project awards as a result of the local change of government. In Vietnam, the financial year also did not meet expectations.

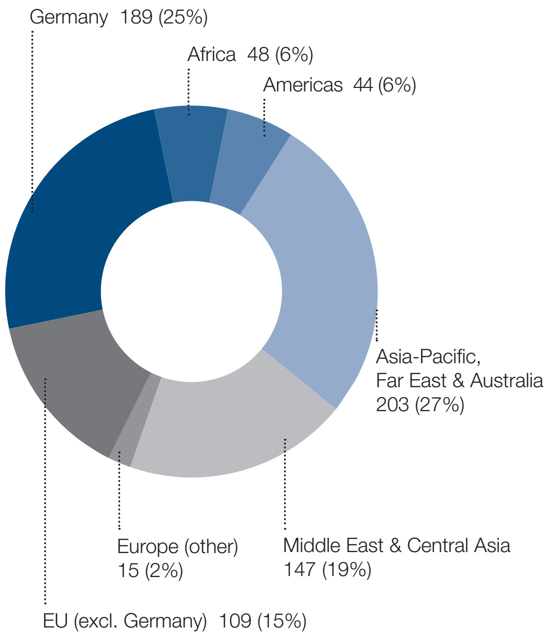
Our subsidiary in the USA had another difficult year because the company's reorganization has still not been fully completed. The company has already acquired a large project for 2019 and has further opportunities. As a result, capacity utilization should improve. In Canada and Australia, the financial year was in line with expectations and earnings were positive. In the markets of Central America, such as Panama, there were too few projects on the market. We expect a better 2019 financial year thanks to new orders in this region.

We provide civil engineering and remediation services in Germany through SCHACHTBAU NORDHAUSEN GmbH, its subsidiaries, and SPESA Spezialbau und Sanierung GmbH. Overall, these companies posted positive results from an operational point of view. Nevertheless, a loss was contributed, which was the result of financial burdens caused by older projects.

Geographical breakdown of total Group revenues Construction segment

in EUR million (after deduction of Consolidation)

Total 755



Order situation

At EUR 822.2 million, **order intake** was up by 10.8% from the previous year's figure of EUR 742.4 million. At EUR 547.3 million, **order backlog**, which was 11.1% above the previous year's figure of EUR 492.7 million, is at a good level.

We continued to record good order intake in the year gone by and are not expecting a significant change in the next few months due to the positive market environment. Overall, the projects are currently well distributed across the existing capacities in the individual regions. In some regions, we acquired major projects once again. Due to the existing order backlog and further opportunities in the world, we have a good starting position for the current financial year.

In December 2018, Deutsche Bahn awarded BAUER Spezialtiefbau GmbH, as part of a bidding consortium with other companies, two major construction projects for the second main line of Munich's suburban rail network. The two contracts have a total volume of about EUR 865 million.

Bauer holds 10% share in the consortium. Bauer's share in the profits will not be included in the consolidated balance sheet until the construction projects are completed. Construction works will begin in 2019.

Outlook

The overall performance of the world regions remains positive, despite all the existing political and economic disturbances. Our global network enables us to exploit opportunities in markets with good construction sectors and compensate for weaker markets.

Overall, we are expecting good performance again in Germany and in Europe. We continue to see the US market as challenging, albeit with good project opportunities. Although we do not expect trends to change in the Middle East, a large project in Jordan will allow us to utilize capacity. We expect a positive financial year in the Far East thanks to the healthy order situation.

In the Construction segment, we continue to focus heavily on developing and improving construction processes and risk management. Methods of digitalization also play a role in these efforts. We have been focusing intensively on "digital construction" for several years and have successfully used the first applications in large-scale projects.

For 2019, we expect a slight increase in total Group revenues once again in the Construction segment. However, we expect a slight decrease in EBIT for 2019 due to 2018's exceptionally strong fourth quarter owing to the respective projects in that period.

EQUIPMENT SEGMENT

in EUR '000	2017	2018	Change
Total Group revenues	754,545	723,115	-4.2%
Sales revenues	660,893	640,062	-3.2%
Order intake	759,859	723,668	-4.8%
Order backlog	149,344	149,897	0.4%
EBIT	80,574	74,858	-7.1%
Earnings after tax	40,950	33,981	-17.0%
Employees (on average over the year)	2,833	2,943	3.9%

General conditions

The construction equipment markets continued to grow in 2018 and reported record sales worldwide. This growth was particularly attributed to China, but the markets in Europe and the other Asian countries remained very positive. In contrast with the rather disappointing previous year, there was a noticeable upturn in the North American equipment market. By contrast, the market in Russia remained weak. The situation is similar in the Middle East, where there has been no upturn in the construction markets due to the low price of oil and political uncertainty. Even though construction equipment markets around the world continued to expand in 2018, growth rates and order intake were already weaker in the second half of the year. It is therefore expected that there will be less growth in our industry.

At construction equipment trade shows, which are very important to us, and in particular our in-house exhibition, we continued to see a willingness to invest on the part of our customers. Numerous infrastructure projects around the world, some of them very large, show that there is unabated demand for large-scale specialist foundation engineering equipment.

The competitive environment, in particular with regard to Chinese manufacturers, whose overcapacity had strongly influenced markets well into 2016, returned to normal, as it had already done in the previous year, thanks to the good capacity utilization of companies in China.

Our main focus continues to be on research and development efforts to further reinforce our market leadership.

The commodity markets, which are important for some of our special product groups, such as water well drilling rigs, tended to be weak due to fluctuating commodity and oil prices.

Significant events

In the Equipment segment, **total Group revenues** fell slightly by 4.2% from EUR 754.5 million in the previous year to EUR 723.1 million. **Sales revenues** also fell by 3.2%, from EUR 660.9 million to EUR 640.1 million. Accordingly, **EBIT** dropped slightly from EUR 80.6 million to EUR 74.9 million and **earnings after tax** from EUR 41.0 million to EUR 34.0 million. It should be noted that additional depreciation of deep drilling rigs amounting to approximately EUR 15 million had a corresponding effect on the key earnings figures for 2018.

In the overall very healthy market environment, we succeeded in keeping revenue, sales and earnings at very good levels. The main drivers were the sales markets in Europe and Asia, especially China. North America also performed significantly better than in the previous year and slightly exceeded projections. In contrast, the sales figures in Africa and the Middle East were disappointing and fell short of expectations. Sales in Russia remained too low, and the neighboring countries of Eastern Europe and Central Asia had little momentum.

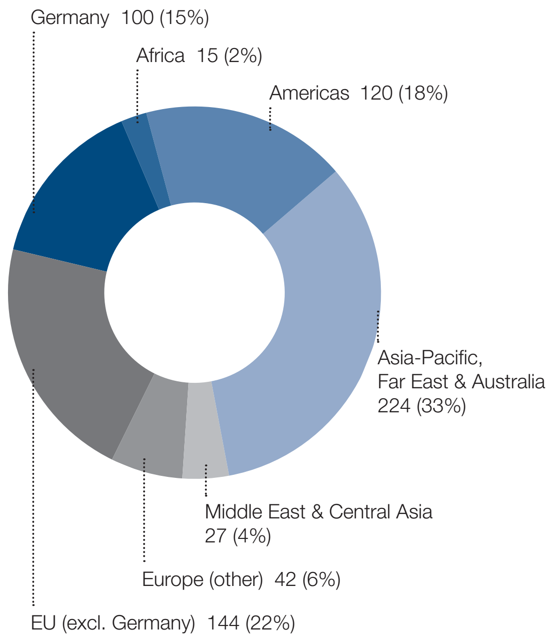
The financial year was as follows for subsidiaries and individual product groups: Sales of anchor drill rigs, mixing equipment, rotary drives and casings were healthy once again in 2018, as were the production and sales organization in the Far East, which made a positive contribution to revenues and earnings, and benefited in particular from the strong market growth there. Business in spare parts, drilling tools and other after-sales services once again had a good impact on total earnings. Sales of water well drilling rigs were somewhat weaker than in the previous year, mainly due to the volatile commodity markets.

The sales company for specialist foundation engineering equipment in the USA moved from its previous location to a new office with a warehouse, and left the previous

Geographical breakdown of total Group revenues Equipment segment

in EUR million (after deduction of Consolidation)

Total 672



site entirely free for the joint venture with Schlumberger for production of deep drilling rigs. In addition, our diesel hammer business was sold and subsidiary BAUER-Pileco Inc. was renamed BAUER Equipment America, Inc. so that the company can now focus completely on its core business.

The joint venture with Schlumberger is not yet profitable. After the first deep drilling rigs were built, software-related delays affected subsequent orders in 2018. We expect to see better performance in 2019 and expect further orders from Schlumberger.

Overall, sales of large-scale and special equipment remained at a high level. The revenues generated from these sales allowed plants to continue their good capacity utilization and thus had a positive effect on earnings. We were also able to further improve the earnings situation through many more individual measures at our subsidiaries and at BAUER Maschinen GmbH.

An important change was made within management. After ten years at the helm of BAUER Maschinen GmbH, in December 2018, Dieter Stetter handed over the chairmanship of the Management Board to Dr. Rüdiger Kaub, who was most recently Managing Director of Kleemann GmbH, a company of the Wirtgen Group.

Order situation

Order intake was more uneven in the financial year gone by than in the previous year. It was somewhat weaker at the beginning of the second half of the year, but picked up again towards the end of the year. In total, however, order intake fell by 4.8% from EUR 759.9 million in the previous year to EUR 723.7 million. **Order backlog** at the end of 2018 was EUR 150.0 million, remaining approximately at the previous year's level of EUR 149.3 million. Thanks to high production output and on-time delivery, the order backlog was processed quickly on a consistent basis.

With respect to the order situation, customers of equipment for specialist foundation engineering still place orders at relatively short notice. Only occasional equipment orders for special projects are placed somewhat longer ahead of time. As a result, deliveries to the customers happen very quickly, so that the range of the order backlog is only between two and three months during the year.

Outlook

2018 was another highly encouraging year for our Equipment segment. Business benefited from the healthy environment in European and Asian markets, a good number of shipments of special and large-scale equipment and successful improvements at our subsidiaries. We assume that the good overall market trends will continue in 2019, even if a slight slowdown after the boom years is to be expected. Russia and the Middle East are also expected to be weaker in the current year. We expect a positive environment for Europe, Asia and North America.

Due to the anticipated slight weakening of the market environment, we expect the segment's total Group revenues and EBIT to be slightly lower in 2019 than in the previous year.

SEGMENT RESOURCES

in EUR '000	2017	2018	Change
Total Group revenues	248,209	261,471	5.3%
Sales revenues	221,522	221,345	-0.1%
Order intake	305,185	242,178	-20.6%
Order backlog	335,771	316,478	-5.7%
EBIT	-10,023	-11,034	n/a
Earnings after tax	-22,422	-15,991	n/a
Employees (on average over the year)	1,287	1,273	-1.1%

General conditions

The Resources segment is focused on products and services in three areas: water, environment and natural resources. In the environmental area, the market performed well in the financial year gone by. Germany continues to offer many projects in the field of remediation, such as land recycling, groundwater treatment, or the disposal of contaminated soils and surfaces. Although there is a great demand in the Middle East, project decisions have been somewhat delayed by the local political and economic climate. China harbors great potential for the future in the environmental and water sector, but there are barriers to market entry for foreign companies.

In the water sector, there was too little demand for brewery and beverage technology as well as water treatment equipment. Both market segments are also characterized by intense competition. The German market was stable in the well engineering materials sector, whereas Europe and Africa remained too weak for the most part.

Once again, the markets for water and natural resources drilling proved particularly difficult. Furthermore, there are too few projects on the market, especially in the Middle East region, which is important for us. Demand in Africa also remained too low. As a result, we were still not able to utilize overcapacity, causing significant strains again in the past year.

Significant events

Total Group revenues in the Resources segment increased by 5.3%, from EUR 248.2 million in the previous year to EUR 261.5 million. **EBIT** decreased slightly from EUR -10.0 million to EUR -11.0 million and **earnings after tax** were up from EUR -22.4 million in the previous year to EUR -16.0 million.

The Resources segment fell short of expectations once again in 2018. The subsidiary in Jordan continued to have the biggest negative impact.

The environment sector had another profitable year, enjoying a very high level of orders in hand in stable markets. Overall, projects are progressing well. The extensive remediation of the Kesslergrube landfill continues to have a good effect on revenue. Works on the northern construction field, one of three fields, was completed in 2018. More than 80,000 t of polluted soil was excavated and replaced with clean soil there. Business in the United Arab Emirates was on track.

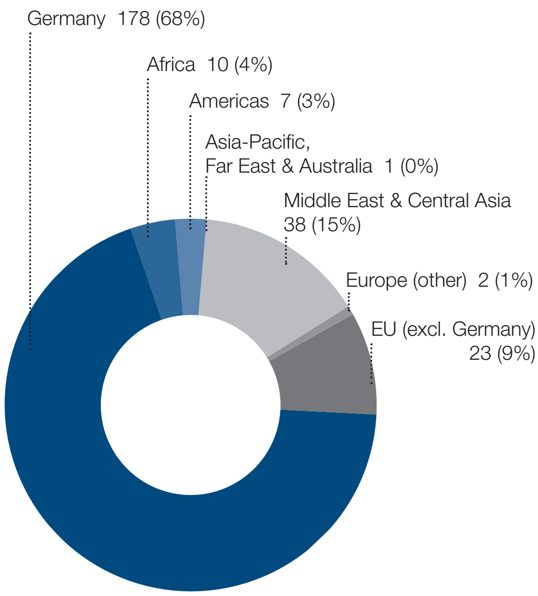
Our participation in Oman had another successful financial year. The project to expand the world's largest reed bed treatment plant, worth roughly EUR 160 million, was launched in the autumn of 2018 and will continue until the end of 2019. The subsidiary delivered a very strong contribution to earnings (at equity).

Underutilization in the well drilling division continued to have a major negative effect. The subsidiary in Jordan was barely able to execute projects in a very weak market environment and therefore reported only minimal revenue. In addition, the company's existing overcapacity continued to result in heavy financial burdens. Overall, earnings decreased year-over-year. However, a significant improvement is expected because the company acquired a large project to drill several deep wells in 2019. Our companies in Africa worked on

Geographical breakdown of total Group revenues Resources segment

in EUR million (after deduction of Consolidation)

Total 259



single projects in a difficult market that has not yet reached sound levels overall.

Our subsidiary that manufactures equipment for brewery and beverage technology had reported significant losses from several projects in 2017. Several restructuring measures were implemented in 2018 to better position the company. Order intake in 2018 fell well below expectations, forcing the company to accept losses once again. The prospects for 2019 are better, not least due to the opportunities presented by a new product line for the craft brewery market.

Order intake for water treatment equipment was not stable and earnings were therefore below expectations. The GWE Group, which produces well engineering materials, underwent many restructuring measures in recent years. However, earnings were not yet in positive territory, so efforts to make improvements must be continued.

The Resources segment also includes the mining division of SCHACHTBAU NORDHAUSEN GmbH, which chiefly performs restoration and safeguarding of mines. Thanks to the continued good market in Germany and the strong performance of our company in Kazakhstan, the division once again made a very positive contribution to revenue and earnings.

Order situation

Order intake fell by 20.6%, from EUR 305.2 million in the previous year to EUR 242.2 million in 2018. This was mainly attributable to the very high order intake of the previous year, which included the major contract to expand the reed bed treatment plant in Oman, a project worth roughly EUR 160 million. At EUR 316.5 million, the **order backlog** at the end of the year was down 5.7% from the previous year's EUR 335.8 million.

The order situation is particularly good for our environmental business, which is enjoying a generally positive market environment across all regions. The subsidiaries that produce water treatment equipment and plants for brewing and beverage technology still have an insufficient level of orders in hand. Order intake for well drilling has improved significantly thanks to the acquisition of a large well drilling project in Jordan.

Outlook

The Resources segment was not yet able to meet our original expectations in the year gone by. The drilling business had the strongest negative impact on earnings. Other areas and companies are not yet in positive territory. Therefore, measures already initiated will be systematically continued in an effort to improve earnings.

We consider the environment sector as unchanged and positive, as its order books are well filled. The project to expand the reed bed treatment plant in Oman is also positively affecting earnings. Order levels in the water sector are still too low.

In the well drilling business, we expect significant improvements, especially for the subsidiary in Jordan, which recently obtained a large-scale project. The financial burden caused by overcapacity at our subsidiary in Jordan will continue, but the negative contribution to earnings should decrease significantly.

Overall, we cannot return the Resources segment to stable profitable territory yet. However, we assume that the earnings situation will improve substantially compared with 2018 due to the order situation and the measures taken.

As a result, in 2019, we expect a slight increase in total Group revenues and slightly to significantly improved EBIT in the segment.

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** posted EBIT of EUR 40.5 million (previous year: EUR 14.2 million). This includes EUR 43.3 million of dividend payments by Group subsidiaries to the parent company. Earnings after tax amounted to EUR 39.8 million (previous year: EUR 14.9 million). The segment's revenues are generated mainly by intra-group charges.

The **Consolidation segment** reflects the consolidation within the Group. The negative EBIT of EUR -43.3 million (previous year: EUR -14.8 million) largely matches the aforementioned dividend payments by Group subsidiaries to BAUER AG. Earnings after tax amounted to EUR -43.4 million (previous year: EUR -14.5 million).

Breakdown of total Group revenues by subsegment

	in EUR million	2017 Revenues	2018 Revenues	Share Year 2018	Change against previous year	Orders in hand
Construction	BAUER Spezialtiefbau GmbH (BST)					
	BST, Germany	140.3	136.3	8.1%	-2.9%	+
	Subsidiaries, Germany	2.3	6.9	0.4%	n/a	•
	BST, international	100.8	180.0	10.7%	78.6%	-
	Subsidiaries, international	641.0	548.4	32.5%	-14.4%	+
	BST Group total	**884.4**	**871.6**	**51.7%**	**-1.4%**	**+**
	SCHACHTBAU NORDHAUSEN GmbH Subsidiaries (SBN)	58.9	67.2	4.0%	14.1%	+
	less intra-Group revenues and IFRS adjustments	-108.3	-171.2	-10.2%		
	Construction total	**835.0**	**767.6**	**45.5%**	**-8.1%**	**+**
Equipment	BAUER Maschinen GmbH (BMA)	509.1	504.4	29.9%	-0.9%	+
	Equipment subsidiaries	521.1	564.6	33.5%	8.3%	•
	BMA Group total	**1,030.2**	**1,069.0**	**63.4%**	**3.8%**	**+**
	SBN	43.9	44.9	2.7%	2.3%	•
	less intra-Group revenues and IFRS adjustments	-319.6	-390.8	-23.2%		
	Equipment total	**754.5**	**723.1**	**42.9%**	**-4.2%**	**+**
Resources	BAUER Resources GmbH (BRE)	114.7	112.9	6.7%	-1.6%	+
	Resources subsidiaries	115.0	114.0	6.8%	-0.9%	•
	BRE Group total	**229.7**	**226.9**	**13.5%**	**-1.2%**	**+**
	SBN	47.6	44.8	2.7%	-5.9%	+
	less intra-Group revenues and IFRS adjustments	-29.1	-10.2	-0.6%		
	Resources total	**248.2**	**261.5**	**15.5%**	**5.3%**	**+**
Other	BAUER Aktiengesellschaft (BAG)	52.5	83.3	4.9%	58.7%	
	Other subsidiaries	3.3	3.9	0.2%	18.2%	
	Total Other/services	**55.8**	**87.2**	**5.2%**	**56.3%**	
	less intra-Group revenues and IFRS adjustments	-121.5	-153.3	-9.1%		
	Group total (including non-controlling interests)	**1,772.0**	**1,686.1**	**100.0%**	**-4.9%**	**+**
	of which: Germany	477.8	467.1	27.7%	-2.3%	
	International	1,294.2	1,219.0	72.3%	-5.8%	

Notes on the table:
- List also includes non-consolidated participations
- Evaluation of order backlog in relation to planned revenues:
  -- weak; - slightly weak; • adequate; + well adequate; ++ very well adequate;
- Percentages and totals 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.

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

Shareholdings < 50% are listed with their revenue share

in EUR million	2017	2018
BAUER Spezialtiefbau GmbH - Group		
BAUER Spezialtiefbau GmbH, Schrobenhausen, Germany (BST)	241.1	316.3
BAUER Funderingstechniek B.V., Mijdrecht, Netherlands	3.8	7.7
BAUER Technologies Limited, Bishops Stortford, Great Britain	41.7	55.2
BAUER Spezialtiefbau Schweiz AG, Baden-Dättwil, Switzerland	22.1	1.7
BAUER Magyarország Speciális Mélyépítö Kft., Budapest, Hungary	12.5	19.4
BAUER ROMANIA S.R.L., Bucarest, Rumania	0.3	0.1
BAUER BULGARIA EOOD, Sofia, Bulgaria	1.8	2.7
BAUER SPEZIALTIEFBAU Gesellschaft m.b.H., Vienna, Austria	26.9	19.8
OOO BAUER Technologie, Moscow, Russian Federation	37.3	10.6
BAUER EGYPT S.A.E. Specialised Foundation Contractors, Cairo, Egypt	32.9	42.8
BAUER LEBANON FOUNDATION SPECIALIST S.a.r.l., Beirut, Lebanon	9.9	5.2
BAUER Georgia Foundation Specialists LCC, Batumi, Georgia	2.9	3.2
BAUER International FZE, Dubai, United Arab Emirates	62.8	24.0
BAUER Geotechnical Specialized Foundation LLC, Abu Dhabi, United Arab Emirates	40.0	11.2
BAUER International Qatar LLC, Doha, Qatar	14.3	4.7
Saudi BAUER Foundation Contractors Ltd., Jeddah, Saudi Arabia	13.7	13.1
BAUER Bangladesh Limited, Dhaka, Bangladesh	0.1	58.6
BAUER Specialized Foundation Contractor India Pvt. Ltd., New Delhi, India	1.2	0.6
BAUER (MALAYSIA) SDN. BHD., Petaling Jaya, Malaysia - (sub-group consolidated financial statements)	84.7	69.0
BAUER Hong Kong Limited, Hong Kong, People’s Republic of China	-7.1	3.8
BAUER Vietnam Ltd., Ho Chi Minh City, Vietnam	18.8	8.4
BAUER Foundations Philippines, Inc., Quezon City, Philippines	20.8	33.9
P.T. BAUER Pratama Indonesia, Jakarta, Indonesia	31.4	27.8
Thai BAUER Co. Ltd., Bangkok, Thailand	30.1	43.0
BAUER Foundations Australia Pty Ltd., Brisbane, Australia	30.5	27.9
BAUER FOUNDATION CORP., Odessa, United States of America	24.0	7.6
BAUER Foundations Canada Inc., Calgary, Canada	48.8	20.5
BAUER FUNDACIONES PANAMÁ S.A., Panama City, Panama	13.3	11.4
BAUER Fundaciones America Latina S.A., Panama City, Panama	7.0	1.2
BAUER FUNDACIONES DOMINICANA, S.R.L, Santo Domingo, Dominican Republic	2.7	1.4
Other BST shareholdings	13.5	12.4
Joint ventures, Germany - (BST share only)	1.9	6.4
Intra-Group sales	-103.4	-164.4
BST Group total	**781.0**	**707.2**
SCHACHTBAU NORDHAUSEN GmbH - Group		
SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Germany (SBN)	79.1	87.2
SBN participations	49.6	47.9
Joint ventures SCHACHTBAU NORDHAUSEN GmbH - (SBN share only)	2.0	2.3
SPESA Spezialbau und Sanierung GmbH, Schrobenhausen, Germany	15.1	15.8
Joint ventures SPESA - (SPESA share only)	4.6	3.7
Intra-Group sales	-50.8	-53.2
SBN Group total	**99.6**	**103.7**
BAUER Maschinen GmbH - Group		
BAUER Maschinen GmbH, Schrobenhausen, Germany (BMA)	509.1	504.4
KLEMM Bohrtechnik GmbH, Drolshagen, Germany	46.5	46.9
PRAKLA Bohrtechnik GmbH, Peine, Germany	13.6	13.1
EURODRILL GmbH, Drolshagen, Germany	17.7	19.2

Compared to the breakdown of total Group revenues by segment, in the breakdown of total Group revenues by company the total of the individual groups is shown after consolidation.

in EUR million	2017	2018
BAUER Maschinen GmbH - Group		
BAUER Foralith GmbH, Schrobenhausen, Germany	6.5	4.1
RTG Rammtechnik GmbH, Schrobenhausen, Germany	31.0	36.1
Olbersdorfer Guß GmbH, Olbersdorf, Germany	6.7	6.6
SPANTEC Spann- & Ankertechnik GmbH, Schrobenhausen, Germany	7.5	9.4
BAUER Deep Drilling GmbH, Schrobenhausen, Germany	1.4	1.4
TracMec Srl, Mordano, Italy	11.5	13.9
BAUER EQUIPMENT UK LIMITED Rotherham, Great Britain	6.9	9.4
BAUER Macchine Italia Srl, Mordano, Italy	13.7	19.0
BAUER MASZYNY POLSKA Sp.z.o.o., Warsow, Poland	6.1	11.2
OOO BAUER Maschinen Russland, Moscow, Russian Federation	6.8	4.5
OOO BAUER Maschinen - Kurgan, Kurgan, Russian Federation	2.3	2.1
OOO BG-TOOLS-MSI, Lyubertsy, Russian Federation	1.7	1.7
BAUER Equipment Gulf FZE, Dubai, United Arab Emirates	9.5	7.5
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	7.4	6.6
BAUER Equipment India Private Limited, Navi Mumbai, India	3.1	18.2
BAUER Technologies Far East Pte. Ltd., Singapore, Singapore - (sub-group consolidated financial statements)	184.4	204.3
NIPPON BAUER Y.K., Tokyo, Japan	13.3	9.1
BAUER Equipment Australia Pty. Ltd., Baulkham Hills, Australia	12.2	12.8
BAUER Equipment America, Inc., Conroe, Texas, United States of America	66.5	81.8
BAUER Manufacturing Inc., Conroe, United States of America	39.5	9.0
Other BMA participations	5.3	16.7
Intra-Group sales	-279.1	-347.7
BMA Group total	**751.1**	**721.3**
BAUER Resources GmbH - Group		
BAUER Resources GmbH, Schrobenhausen, Germany (BRE)	114.7	112.9
GWE pumpenboese GmbH, Peine, Germany	41.0	43.3
Esau & Hueber GmbH, Schrobenhausen, Germany	13.2	9.0
GWE POL-Bud Sp.z.o.o, Lodz, Poland	3.6	3.5
GWE France S.A.S., Aspiran, France	2.2	2.7
GWE Budafilter Kft., Mezöfalva, Hungary	3.3	2.6
FORALITH Drilling Support AG, St. Gallen, Switzerland	1.3	0.4
Bauer + Moosleitner Entsorgungstechnik GmbH, Salzburg, Austria	2.4	2.8
BAUER Resources GmbH / Jordan Ltd. Co., Amman, Jordan - (sub-group consolidated financial statements)	20.8	1.3
BAUER Emirates Environment Technologies & Services LLC, Abu Dhabi, United Arab Emirates	1.4	2.1
BAUER Nimr LLC, Maskat-Al Mina, Sultanat Oman	10.3	22.4
BAUER Resources Maroc S.A.R.L., Kenitra, Morocco	3.0	3.9
BAUER Senegal SARL, Dakar, Senegal	1.2	2.4
BAUER Technologies South Africa (PTY) Ltd., Cape Town, South Africa - (sub-group consolidated financial statements)	3.4	4.1
GWE Tubomin S.A., City of Santiago, Chile	5.6	6.2
Other participations of BRE	1.4	0.3
Joint ventures BAUER Resources GmbH - (BRE share only)	0.9	7.0
Intra-Group sales	-23.7	-6.9
Intra-Group sales	**206.0**	**220.0**
BAUER Aktiengesellschaft, Schrobenhausen, Germany (BAG)	52.5	83.3
Other participations of BAG	3.3	3.9
Intra-Group sales	-121.5	-153.3
GROUP TOTAL	**1,772.0**	**1,686.1**


BAUER BG 30
CAT

III. EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

We were able to build on the previous year's good operating performance in 2018, and the earnings situation improved considerably despite lower total Group revenues. This was mainly due to the significantly better earnings of the Construction segment, which had been burdened by the aforementioned arbitration proceedings in Hong Kong in the previous year. The Equipment segment repeated its good operating results from the previous year. Unfortunately, negative effects in the Resources segment once again had an impact on earnings. The effects of currency losses on earnings after tax were significantly less in the year under review than in the previous year. The balance between currency gains and losses was EUR -22.5 million in 2017. That figure was EUR -4.3 million in 2018.

The better overall performance resulted in a significantly improved earnings position, which is still below our expectations, however.

The key earnings figures changed as follows:

EBITDA grew by 8.8% from EUR 182.6 million to EUR 198.6 million, representing 12.3% (previous year: 10.8%) of consolidated revenues. **EBIT** rose from EUR 89.6 million in the previous year to EUR 100.1 million. **Earnings after tax** increased substantially from EUR 3.7 million in the previous year to EUR 24.1 million.

The **pre-tax return on equity** as the ratio of pre-tax earnings to equity (equity at the start of the period) increased compared to 2017 from 8.1% to 15.9%. The **return on equity after tax** was 5.8% (previous year: 0.8%). The **return on revenues after tax** (relative to the consolidated revenues in the consolidated income statement) increased from 0.2% to 1.5% year-on-year.

The individual income statement items are summarized in the following.

Consolidated revenues fell by 4.2%, from EUR 1,688.1 million in the previous year to EUR 1,616.9 million.

Sales revenues decreased by 4.7% from EUR 1,667.9 million to EUR 1,589.1 million. This decrease is attributed primarily to the Construction segment.

Changes in inventories were very significant, going from EUR -10.8 million to 1.6 million. This was mainly due to slight increase in inventories in the Equipment segment. This item also includes approximately EUR 15 million in additional depreciation of deep drilling rigs.

Other capitalized goods and services for own account rose slightly from EUR 8.5 million to EUR 8.8 million.

Other income was down from the previous year, going from EUR 22.6 million to EUR 17.5 million.

The **cost of materials** fell by 10.7% to EUR 821.5 million in the year under review. The decrease was greater than that of consolidated revenues. This was mainly due to changes in the order structure in the Construction segment, where a significant decrease in the use of materials was evident in some projects. Costs of materials on construction projects vary widely, so comparisons between individual years are only possible to a very limited extent.

Personnel expenses, which rose by 2.3% to EUR 392.4 million, did not change in line with the decline in consolidated revenue. This is attributable to the growth in the number of employees and, above all, to the substantial wage increase in the construction industry. We strive to improve personnel expenses in relation to consolidated revenues over the next few years.

Other operating expenses rose by 1.0% from EUR 202.5 million to EUR 204.4 million. 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. We want to further reduce this item by continuously improving our cost structures.

Depreciation of fixed assets rose by 3.4% to EUR 81.0 million.

<<< In Gladbeck, Germany, 202 foundation piles with a diameter of 1 m were constructed using the kelly drilling method for a new office building with a parking garage. The BAUER BG 30 completed a total of 2,400 m of drilling work at a depth of 19 m.

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 this equipment 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 accordingly on the Equity and Liabilities side of the balance sheet, its depreciation forms part of the profit and loss statement. Write-downs due to use increased significantly by 20.1% to EUR 17.6 million in the year under review, primarily due to increased rental business in the Equipment segment in the US.

Financial income rose slightly from EUR 37.6 million to EUR 38.2 million. This includes currency gains amounting to EUR 28.4 million.

Financial expenses were EUR 77.0 million, down significantly from EUR 90.8 million in the previous year. Currency losses decreased from EUR 50.1 million to EUR 32.8 million. Adjusted for this effect, the item grew by EUR 3.5 million. Realized and unrealized foreign currency gains and losses as well as gains and losses from foreign exchange forward contracts result from our currency hedge management activities. Fluctuations in hedged and unhedged currencies can cause the corresponding income statement items to vary widely over the years depending on trends. The Group's objective is to undertake exchange rate hedging which rules out the possibility of foreign currency gains or losses as far as possible.

The **share of the profit or loss of associated companies accounted for using the equity method** improved significantly from EUR -1.1 million to EUR 4.6 million. The main reasons for this were positive earnings from joint venture projects in the Construction segment as well as from the Resources participation in Oman. In addition, the item also includes unscheduled impairments of shares amounting to EUR 5.0 million in 2018.

At EUR 41.8 million, **income tax expense** was up from the previous year's EUR 31.6 million. This high tax rate is related to the very healthy earnings development of the Equipment segment as well as to the parent company in the Construction segment. In most cases, it was not possible to reduce the tax burden through deferred tax assets. We expect the tax rate to be higher than usual again in 2019. In the medium term, we expect an income tax burden of between 30% and 40% once again.

The **earnings after tax attributable to BAUER AG shareholders** were EUR 22.6 million (previous year: EUR 2.7 million).

At EUR 1.5 million, the **earnings after tax attributable to non-controlling interests** were up from the previous year's EUR 0.9 million.

GROUP FINANCIAL AND NET ASSET POSITION

The **total assets** of the Group grew by 0.9% from EUR 1,617.7 million to EUR 1,632.3 million, which was mainly due to the increase in trade receivables and cash and cash equivalents. When adjusted for the effect of the increase in cash and cash equivalents on the closing date, total assets have not changed.

At 26.5%, the **equity ratio** was up from the previous year's level of 25.9%. We are once again aiming to achieve a value in excess of 30% in coming years. The investment and growth plans of the business are aligned to this target.

The **net debt** of our company fell significantly in the year under review by 5.4% and, at EUR 561.9 million, has returned to a lower level once again. Notwithstanding the significant decline, we will continue to work hard in the coming years to improve net debt relative to total assets and revenues. We must stress, however, that in view of the nature of our business, this will only be possible to a certain extent.

The level of the net debt in the Group is largely dependent on the level of the working capital. The working capital of our businesses is inevitably relatively high due to 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 advance payments for the construction project in question meaning that it is very rare for us to generate a positive cash flow over the term of the project. Short construction contracts – the majority of our contracts – require financing across the Group's many construction sites corresponding to roughly three months' sales of the Construction segment. Consequently, projects are always billed after the work has been completed.

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 fulfill, and so expect short delivery lead times from us, we are forced to hold stocks of finished machinery. Moreover, we have a very broad product range and we need to stock spare parts for our customers worldwide, leading to a corresponding increase in the need for financing.

We are aware that the Group's higher financing requirements place greater weight on the question of our self-financing capabilities. Insufficient income in recent years, changes in the valuation of pension provisions and currency effects have made the equity ratio too low. We are aware that it will have to be increased again in the coming years. It would be much higher if the hidden reserves were included. 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 EUR 178.0 million, there is a considerable reserve here.

The key financial figures agreed for primary loans have also improved due to the company's good performance. The agreed covenant ratios – net debt to EBITDA, EBITDA to net interest coverage and equity ratio – are sufficiently within the agreed thresholds. In addition to the two syndicated loans valued at EUR 470 million and EUR 53 million, the Group has set covenants for a number of long-term loans, which were valued as per the 2018 year-end at EUR 181.0 million. On the whole, we see a sufficient scope for covering our liquidity requirements with credit lines that have been approved but not yet utilized.

Exchange rate trend

1 EUR corresponds to	Average rate 2017	Average rate 2018
USD	1.1393	1.1810
GBP	0.8753	0.8847
RUB	66.2766	74.0416
CNY	7.6715	7.8081

Covenants trend

	2017	2018
Net debt/EBITDA	3.25	2.83
EBITDA/net interest coverage	3.28	5.27
Equity ratio in %	25.9	26.5

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 primarily to the construction element, while others, in contrast, relate to the equipment element. The main items of such kinds are listed in the following:

- Within property, plant and equipment, about 70% of the land, land rights and buildings item relates to the Equipment segment. On the other hand, about two thirds of the technical equipment and machinery item is attributable to the Construction segment.

- Some 50% of the raw materials and supplies item is linked to the machinery manufacturing operations of the Equipment segment.

- More than 90% of the work in progress and finished goods and stock for trade 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 substantial capital tie-up.

- The contract assets are attributable to the Construction and Resources segments. The Construction segment accounts for just over one half of trade receivables and the Equipment segment accounts for approximately one quarter.

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.

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

On the Assets side:

- **Intangible assets** fell from EUR 21.0 million to EUR 18.1 million.

- **Investments accounted for using the equity method** decreased from EUR 121.3 million to EUR 113.0 million. This was mainly due to the devaluation of shares in BAUER Deep Drilling GmbH.

- **Participations** declined from EUR 11.7 million to EUR 8.4 million, mainly due to a devaluation of the shares in Wöhr+Bauer GmbH.

- **Deferred tax assets** rose by EUR 3.6 million to EUR 49.2 million, mainly due to valuation differences, changes in the balancing of deferred taxes and changes in deferred tax assets in respect of losses carried forward.

- **Inventories** decreased by EUR 6.5 million to EUR 410.3 million. Advances received on inventories increased from EUR 13.9 million to EUR 16.1 million.

- **Contract assets** decreased by EUR 3.2 million to EUR 145.0 million. This is offset by a EUR 1.3 million increase in contract liabilities on the equity and liabilities side. Changes in this item result from the percentage of completion of our projects at the year-end closing date.

- **Trade receivables** rose by EUR 17.5 million to EUR 335.0 million.

- **Other current financial assets** decreased by EUR 4.0 million to EUR 8.4 million.

- **Cash and cash equivalents** increased by EUR 15.3 million to EUR 62.6 million as of the balance sheet date.

On the Equity and Liabilities side:

- **Equity** grew by EUR 13.1 million to EUR 431.8 million. Earnings after tax (EUR 24.1 million) contributed positively to this change. Changes in accounting policies as part of the first-time adoption of IFRS 9 (EUR 4.1 million) had a negative impact, as did changes in provisions for pensions (EUR 6.3 million) due to an adjusted mortality table as well as dividend payments (EUR 2.5 million). Factors with a positive impact included the market valuation of derivative financial instruments (EUR 0.9 million), deferred taxes with no effect on profit and loss (EUR 1.4 million) and changes in the basis of consolidation (EUR 0.3 million).

- The **non-current portion of liabilities to banks** increased from EUR 155.6 million to EUR 308.5 million. Compared to the 2017 consolidated financial statements, a large proportion of liabilities to banks was shifted from short-term to long-term liabilities. The covenant (EBITDA to net interest coverage) for primary loans was exceeded as of the end of 2017. As a result, these loans had to be transferred to current liabilities to banks by December 31 in the previous year.

- **Pension provisions** increased by EUR 8.0 million to EUR 134.4 million as a result of the adjustments to the mortality tables.

- The **current portion of liabilities to banks** significantly decreased from EUR 429.6 million to EUR 256.7 million. This was primarily due to the significant decline in net debt of EUR 31.9 million. This item was also affected by the aforementioned reclassification of liabilities from non-current liabilities to banks, which became necessary after a covenant was exceeded in 2017 but has since been reversed.

- **Contract liabilities** grew by EUR 1.3 million to EUR 52.4 million. This is offset by the above-mentioned decrease in contract assets on the assets side.

- **Trade payables** decreased by EUR 9.0 million to EUR 224.5 million.

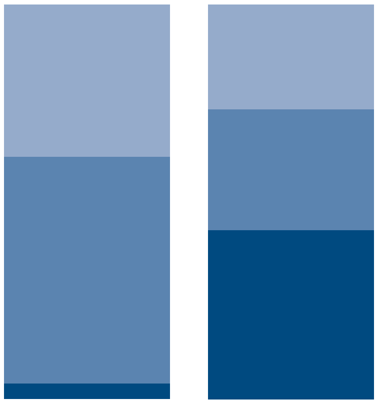
The ratio of total assets to consolidated revenues increased from 95.8% to 100.9%.

Assets

Non-current assets
EUR 621.0 million (38.0%))
(2017: EUR 629.1 million (38.9%))

Current assets
EUR 948.7 million (58.1%)
(2017: EUR 941.3 million (58.2%))

Liquid funds
EUR 62.6 million (3.9%)
(2017: EUR 47.3 million (2.9%))



Equity and liabilities

Equity
EUR 431.8 million (26.5%))
(2017: EUR 418.7 million (25.9%))

Non-current debt
EUR 501.4 million (30.7%))
(2017: EUR 334.4 million (20.7%))

Current debt
EUR 699.1 million (42.8%))
(2017: EUR 864.6 million (53.4%))

EUR 1,632.3 million | **EUR 1,632.3 million**

Net cash from operating activities shown in the **consolidated statement of cash flows** fell from EUR 183.3 million to EUR 147.4 million. The following factors contributed to this change:

- The other non-cash transactions totaled EUR 25.4 million (previous year: EUR 37.8 million).
- Trade receivables changed by EUR 50.8 million compared to the previous year.
- Changes in receivables from construction contracts amounted to EUR 8.1 million (previous year: EUR -6.0 million).
- The change in inventories negatively impacted the operating cash flow to the tune of EUR 35.8 million.
- Other current and non-current liabilities amounted to EUR 2.6 million.

Cash flow from investment activity totaled EUR -57.6 million and was EUR 7.2 million lower than in the previous year, mainly due to the increase in revenues from the sale of fixed assets.

Cash flow from financing activities amounted to EUR -75.1 million. The main factors influencing this were loan repayments amounting to EUR 341.1 million, interest payments of EUR 39.4 million as well as new indebtedness to banks in the amount of EUR 318.8 million.

INVESTMENTS

In view of the unsatisfactory results of recent years, we have again kept our investments in 2018 at roughly the level of depreciation. This was made possible by the extensive investments devoted to our plants in previous years. The pace of technological progress in our business has accelerated, however, so that any future increase of our revenues will demand higher investments once more.

In the **Construction segment**, further investments were made in equipment to meet the market demand for ever more powerful equipment to handle specialist projects. For years now, we have seen a trend toward increasingly large-scale international infrastructure projects which foster growing demand for specialist foundation engineering works that can only be carried out by ever-larger machinery. This demands higher individual investments, but also opens up new market opportunities for us. We have also concentrated specifically on investments to equip our construction sites with modern communications technology. In the next few years, we will also invest in the modernization of our equipment.

In the **Equipment segment**, the investments were chiefly channeled into modernizing the equipment available to the production sites. Major investments in our plants and production facilities are not necessary at this time.

Investments in the **Resources segment** in 2018 were also at a low level. The investments went into the modernization of existing production systems.

In the 2018 financial year, the **BAUER Group** invested a total of EUR 109.9 million (previous year: EUR 107.5 million) in intangible assets and property, plant and equipment. Depreciation of fixed assets across the Group totaled EUR 81.0 million (previous year: EUR 78.3 million). Write-downs of inventories due to use Group-wide totaled EUR 17.6 million (previous year: EUR 14.6 million).

Additions to the property, plant and equipment assets of **BAUER AG** in the 2018 financial year totaled EUR 4.5 million (previous year: EUR 2.3 million), against depreciation of EUR 3.6 million (previous year: EUR 3.5 million).

IV. FINANCIAL STATEMENTS OF BAUER AKTIENGESELLSCHAFT

The Group management report and the management report of the parent company BAUER AG are combined. The balance sheet and the income statement of BAUER AG (according to the German Commercial Code, HGB) will thus be explained at this point.

In 2018, BAUER AG reported a **net profit for the period** of EUR 1.7 million (previous year: EUR -11.2 million). In the previous year, BAUER AG made EUR 25.1 million in shareholder contributions to subsidiaries as a result of extensive restructuring measures in the Resources segment. Measures of the same kind totaling EUR 36.9 million were carried out in 2018.

The following items in the balance sheet and income statement changed significantly during the completed financial year compared to the previous year:

Main changes to the balance sheet:

- **Financial assets** increased from EUR 132.3 million to EUR 142.4 million, mainly due to a capital increase at BAUER Spezialtiefbau GmbH.

- **Receivables and other assets** fell from EUR 187.0 million to EUR 185.2 million. This was largely due to the decrease in receivables from affiliated companies amounting to EUR 3.2 million.

- **Equity** amounted to EUR 116.6 million, as in the previous year.

- **Liabilities** barely changed, going from EUR 208.5 million to EUR 207.0 million. Liabilities to banks, however, increased by EUR 29.8 million due to the expansion of BAUER AG's financing activities for the Group. Liabilities to affiliated companies as a countering item decreased by EUR 31.1 million.

Main changes to the income statement:

- **Sales revenues**, primarily related to charging of administrative services to subsidiaries, increased by EUR 2.8 million to EUR 39.3 million.

- **Other operating expenses** rose by EUR 11.9 million. The main reason for this, both in 2017 and 2018, is the aforementioned expenditures by BAUER AG for restructuring measures at the subsidiaries in the Resources segment.

- Therefore, the **operating result** was again very negative at EUR -41.8 million (previous year: EUR -26.2 million).

- **Income from participations** increased from EUR 13.0 million to EUR 43.7 million due to higher dividend payments by BAUER Maschinen GmbH to BAUER AG.

- **Net profit for the period** was EUR 1.7 million (previous year: EUR -11.2 million). **Distributable net profit** remained unchanged at EUR 1.7 million.

The payment of dividends to shareholders is based on the distributable net profit of BAUER AG as the parent company, taking into account the Group's consolidated earnings. The dividend policy of BAUER AG is one of continuity, meaning that in principle a dividend should be paid even in difficult years, where financially justifiable. As the Group's holding company, BAUER AG is dependent on the earnings of its subsidiaries, and additionally provides financing to them.

Although we once again posted a significant loss in the Resources segment, which affected the situation of BAUER AG, we were able to meet our earnings targets for the Group. Therefore, we believe it is appropriate to allow our shareholders to participate in this accordingly, so we intend to pay a small dividend again. The Management Board will encourage the Supervisory Board to propose a dividend of EUR 0.10 (previous year: EUR 0.10) to the shareholders at the Annual General Meeting. In the medium term, the dividend quota should be about 25 to 30% of the reported earnings after tax. The proposed dividend also serves to protect the Group's equity, which we intend to significantly improve in the coming years.

As the Group's holding company, BAUER AG receives earnings in particular from its subsidiaries. In 2019, dividend payments by the subsidiaries will be considerably lower than in 2018, although no additional effects are expected at the present time. Consequently, BAUER AG should once again report a profit.


BAUER BG 28

V. RISK AND OPPORTUNITY REPORT

RISK REPORT

BASIC PRINCIPLE OF RISK MANAGEMENT

As part of our business activities, we are exposed to risks that are inextricably connected with our entrepreneurship. There can be no entrepreneurial action without risk. Genuine risks result from unforeseeable events that can entail both dangers and opportunities. Therefore, at Bauer, risk management means not just reducing the hazards but also knowing how to take advantage of the opportunities. The goals of risk management include safeguarding our business objectives, initiating measures early on and reducing the costs of risk. Risk management involves identifying, analyzing, evaluating and monitoring existing and anticipated risks along the entire value chain and devising actions to deal with them. Our system of risk management is based on a fundamentally risk-averse approach, meaning that we aim primarily to safeguard against impending risks rather than to exploit opportunities for short-term gain.

Risk management system

Our risk management system regulates the handling of risks within the BAUER Group. It defines a uniform methodology applicable to all segments and their member companies. It is continually reviewed and adjusted as required.

Our risk management system is an integral element of our overall management system and, like all our management systems, serves as an instrument of value- and success-oriented corporate governance. Audits are routinely conducted to verify its implementation, and continuously improve its efficacy. Furthermore, our auditors annually review the extent to which our early risk-warning system is capable of detecting existentially threatening risks in good time. The process steps involved in risk management are: identification, assessment, control of measures, and monitoring.

For the identification of risks, risk categories have been defined and specific areas of risk have been assigned. This defines areas of focus. Risk categories defined by the BAUER Group are: strategic risks; market risks; financial market risks; political and legal risks; organizational and governance risks; risks arising from the value creation chain; and risks of the supporting processes. These risks are grouped as latent risks and managed in a unified process within the framework of our risk management system. Conversely, project risks are managed according to their nature and significance by an additional, independent process.

The process of identifying and assessing latent risks is reviewed twice a year through interviews with the managers of the relevant Group companies, and is implemented jointly by departmental and central function heads. This process ensures that potential new and familiar risks and opportunities are submitted for review at management level. Structured risk identification is followed by risk assessment based on a scale of relevance.

Relevant risks above a certain threshold value are quantified based on scenarios. Planning risks are estimated by applying standard deviations. Risks from within the subgroups are consolidated at Group level.

Following assessment, risk-specific management measures are defined. Where possible and useful, we purchase appropriate insurance policies that cover potential damage and liability risk in order to reduce our risk exposure and avoid, or at least minimize, potential losses. Responsibility for monitoring the respective risks lies with the risk managers from the operative areas.

The effects of individual risks are aggregated in the context of corporate planning by means of risk simulation. This means that the income statement for a given financial year is played through several thousand times in independent simulations based on random figures (Monte Carlo simulation).

Yearly reports are submitted to the Management Board and Supervisory Board. To communicate acute risks, the routine risk analysis is supplemented by immediate reporting. Our risk management system covers both risks and opportunities.

Handling of project risks

Project risks are the principal performance risks, and thus 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. Asso-

<<< *The remediation project for the roughly 230 km long Herbert Hoover Dike around Lake Okeechobee in Florida requires advanced technology. BAUER Foundations Corp. used a BG 28 for the „Culvert 12 for Thalle Construction“ phase of the project.*

ciated 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. In respect of all relevant projects above low threshold values, prior to submission of quotes all conceivable risks and opportunities are systematically identified, analyzed and assessed, and appropriate measures are defined to minimize risks and track opportunities. In ongoing projects, the risks are analyzed, meaning they are identified, assessed and backed with measures as part of continuous project controlling and project management.

Each project is assigned to a risk class and organizationally escalated according to its risk class, and is thus subject to a strict approval process. Risk classification is based, firstly, on defined checklists applying the K.O. principle, in order to prevent inadvertent assignment to an inappropriately low risk class. Secondly, it is based on potential harm identified in relation to the project, with the worst-case outcome serving as the decisive factor. The risk classes defined by this process are incorporated at cost surcharges to cover the identified risks.

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.

Risks

In the following we set forth potential risks which may have a significant impact on our financial and earnings position and on our reputation, and assess the relevance to our business. The breakdown follows the same risk categories as we apply in our risk management system. The areas of risk are aggregated. Unless otherwise specified, the risks described in the following relate to all our segments.

STRATEGIC RISKS

Segmental structure

We counter the strategic risks arising from the segmental structure of the Group by dividing it internationally into separate Construction, Equipment and Resources segments, thereby pursuing the aim of greater independence from the construction sector and regional investment cycles. Our three segments also offer significant synergy effects in addition to risk diversification. For example, the insights we gain while deploying equipment and developing methods in the Construction segment are regularly used to improve equipment. Comprehensive specialist foundation engineering services, including waste disposal or remediation, are successfully offered through cooperation between the Construction and Resources segment.

The Equipment segment's deep drilling technology and the manufacture of machinery for mining applications will also further reduce its dependence on the overall construction sector. We class the risks associated with the structure of our business as medium.

Strategic partnerships, cooperation partners

Particularly in the Equipment segment, we are supported by certified sales partners in selected regions. A failure or mismanagement of our partner could result in a decline in sales. The risk of partnerships must be recognized at an early stage by conducting a regular sales partner audit and analyzing financial data of major sales partners. In this way, we can counteract risks with the help of our own sales force or alternative dealers. We rate this risk as minimal.

Relevance scale of the BAUER Group

Relevance	Definition	Identified risks
1	Insignificant to low risk	Risks with this relevance are identified in our business
2	Medium risk	
3	Significant risk	We do not see risks with this relevance in our business
4	Serious risk	
5	Critical risk	

Brand, image, PR

The Bauer brand carries a cachet for purchasers, especially in the Equipment segment, because it is known for high quality. Negative influences on our image, whether due to publications about accidents at work or quality and service defects for example, can result in falling demand for our machines. In some countries, there is also a risk of counterfeit products, which affects the quality image of the Bauer brand. Among other methods, we minimize the risk with our sophisticated quality and HSE management system. We view the risk of image loss as low.

MARKET RISKS

Sales market risks

It has always been one of our key strategic principles to counter risks on our selling markets by means of a diversified 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 isolate part of our business from the effects of construction cycles much more effectively. 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. This strategy has proven effective during various regional crisis situations in the past, in which it cushioned negative impacts on overall earnings. The Resources segment has also already expanded on an international scale. We rate risks associated with our selling markets as medium.

Competitive environment

In the Equipment segment especially, we operate in highly competitive and price-sensitive markets. To sustainably improve our competitive position in China, after-sales service has been expanded in all markets as a stabilizing factor in addition to new business.

Despite the overcapacity and associated pressure on margins in the country, we have been able to maintain our market position based on the recognized high quality and the clear technological edge of our premium equipment. This risk is classed as low.

Market development risks

Our assessment of the macroeconomic situation is affected by the trade dispute between the US and China, public debt in the US and some EU countries, China's declining economic growth as well as uncertainty about Britain's exit from the EU and its consequences.

The Group Management Board and the Managing Directors of the three operating segments routinely consider projections based on specific scenarios to estimate the impact of any given market development risks on the company in question and on the Group as a whole. Any necessary and relevant measures are derived from these analyses and implemented in full. The risks to the market development are currently assessed to be moderate.

FINANCIAL MARKET RISKS

Currency risks and interest rate risks

Where possible and available, we counter foreign exchange risks by financing our international holdings in their respective local currency. We minimize transaction risks (foreign currency risks from current cash flow) in all business divisions using suitable hedging instruments. We classify the remaining currency risks as medium.

The interest rate risk of the Group is based on financial liabilities with primarily floating interest rates (short-term credit lines). We have interest hedge agreements for exchanging floating interest rates for fixed interest rates in order to exclude the risk of fluctuation in market interest rates. Market interest rate changes have an impact on the financial income and expenses of the Group. We classify interest rate uncertainty as a low risk.

Participations, acquisitions, financial assets

The valuations of the shares in associated companies contain goodwill items, the values of which are subject to the risk from future company developments. If these future expectations do not occur as planned, impairments may be necessary. We classify the need for goodwill depreciation as a low risk.

POLITICAL AND LEGAL RISKS

Compliance

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, so as to minimize the risk of non-compliance. For us, compliance means observing all applicable laws, rules and regulations as well as behaving in an ethically sound way. Legally compliant, ethical and socially sustainable action is the cornerstone of our values management system. For example, our staff are made aware of our fundamental values as soon as they are hired. Special training courses enable them to extend their knowledge. A 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 keeping our compliance risk to a low level.

Political and legal environment

Ongoing political unrest in the Middle East is impeding willingness to invest in the countries immediately affected, and often beyond. Declining sales volumes in the Equipment segment and a decline in revenues in the Construction and Resources segments are the consequences. In some countries, there is also a risk that the government will intervene more heavily in company affairs. In turn, this can be costly and time-consuming. We classify the risks from our political and legal environment as medium.

Contract risks

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

Current legal cases

Litigation arises almost exclusively from our provision of services, especially in project business. Legal disputes occur with clients, suppliers and business partners and are generally related to compensation, alleged deficiencies in services or delays in the completion of a project. By their very nature, it is impossible to say for certain how the court or arbitration proceedings we are involved in will turn out. Nevertheless, following careful examination, we assume that adequate provision has been made in the balance sheet for all current legal disputes.

VALUE CREATION RISKS

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 growth in the Far East and the resulting new competitors are sharpening the innovative pressures, we have to date succeeded in maintaining the necessary edge as a technology leader.

Moreover, there is a risk of incurring additional costs in this context due to development and design mistakes necessitating modifications. This risk is minimized by a structured, multi-stage product creation process.

Thanks to our great innovative strength and transparent product creation process, we currently rate the risks in relation to research and development as being medium.

Acquisition, sales and contract negotiations, and costing

The risks of miscalculating quotations and of warranting technical characteristics which cannot be fulfilled are minimized by the strict application of the dual-control principle and established costing standards, and can be regarded as medium.

Materials management and procurement

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 as well as 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. We also estimate the reliance on subcontractors or individual suppliers in our segments as a low risk.

Production and order fulfillment

Technical failures arising from design errors or miscalculations of statics can result in significant project delays. The risks resulting from this represent an inherent component of our project business. Consequently, designs and statics are predominantly produced in our own engineering offices by experienced employees.

A further risk in order fulfillment is entailed by the selection and application of drilling techniques. Misjudging ground conditions can likewise result in increased risk costs. Disturbances to the project timetable must be identified by the project manager and communicated at an early stage. The management is aware of these risks, and relies on experienced project and production managers in all segments. In spite of all the precautions taken when carrying out projects, there is still a risk of management errors, which can drive up costs, especially in major projects. All the listed risks are subjected to a threat and opportunity analysis at project level in the Construction and Resources segments.

Project risks are essentially 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, the possibility cannot be definitively ruled out that, on finally billing the customer, lower earnings will ultimately be generated. As a result of the trend for projects to increase in size and complexity, the resulting risks must be assessed as medium.

Supplements and claims management

Especially in respect of complex construction works, we are increasingly seeing parties resort to legal action when disputes arise in relation to contract interpretation as well as additional services and change orders. Clients' representatives are increasingly rarely authorized to resolve conflicts by mutual consent. As a result, final project settlement is increasingly being delayed by legal action, and additional costs are being incurred. We manage this risk by professional management of supplemental requirements in the course of the construction project, and based on full documentation of the work carried out. Despite all efforts, the outcomes of some negotiations on supplemental requirements pose a residual risk to the company. The risks arising from supplemental requirements are rated as medium.

RISKS OF SUPPORTING PROCESSES

Debtor management

An efficient management of receivables counteracts the risk of default. In addition, the creditworthiness of new customers is checked as a key criterion in the review process for our business partners. Our receivables are partially covered by insurance. We classify default risks as a low risk.

Accounting-related system of internal controls and risk management

Consolidated accounting risks comprise risks in respect of accounting, valuation and recognition. To counteract them, the accounting functions of the parent company as well as of BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and BAUER Resources GmbH are managed centrally at the registered office in Schrobenhausen. This allows business transactions to be handled in a standardized way.

The accounting functions for the other subsidiaries are usually managed by decentralized in-house commercial departments. Our subsidiaries are assisted by external accountants and auditors as well as by the participation controllers of BAUER Spezialtiefbau GmbH, BAUER Maschinen GmbH and BAUER Resources GmbH, so as to ensure properly qualified financial reporting in accordance with the relevant national or international accounting regulations. Furthermore, statements are subjected to auditing in accordance with the relevant national regulations.

In order to draw up the monthly Group reporting as well as quarterly statements and the consolidated financial statements according to international accountancy regulations (IFRS), the subsidiaries use a uniform Group chart of accounts.

The individual financial statements are drawn up either based on an accounting guideline applicable throughout the Group or are applied to the regulations of the accounting guideline in the course of adjustment entries by the corresponding accountancy regulations under national law.

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 judgment and experience tell us that self-monitoring and establishing dual control principles are the effective elements of our system of internal controls.

The individual Group companies and departments are monitored and controlled on a monthly basis by the central commercial departments in the respective segments and are then reviewed by Group Accounting further reducing the accounting, valuation and reporting risks.

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 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. These figures and information reports are regularly submitted to the Management Board and the Supervisory Board of BAUER AG from Group 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

There are currently no apparent individual or aggregate risks that threaten the existence of the BAUER Group in the 2019 financial year. The management sees no change in the overall risk situation, in view of future business prospects among other factors.

OPPORTUNITY REPORT

The opportunities arising are classified in parallel with the detailing of risks. In this context, too, the areas of opportunity have been aggregated. Unless otherwise specified, all opportunities set out in the following relate to all our segments.

STRATEGIC OPPORTUNITIES

Over the years, the Group has built up expertise through handling projects in areas associated with its core business, and has developed synergy effects from this which today shape the Resources segment. These include the environmental technology business which deals with treating contaminated ground and groundwater, and has taken on an increasingly international character since its beginnings more than 25 years ago. A similar business grew out of the first use of specialist foundation engineering equipment for diamond exploration. Today, the company drills for a wide range of natural resources. In the water sector, we also develop high-quality products for expanding wells and for close-to-the-surface geothermal energy applications, as well as for treating and purifying drinking water and process water. By merging these three areas into the Resources segment, we are addressing some of the most important issues of the 21st century. Moreover, the Resources segment is less dependent on the economic cycles of the construction sector.

In order to bring about the internationalization of the Resources segment, we are also utilizing the experience of our long-standing organizational units in the other two segments as well as the international reputation of the Bauer brand.

In addition to opportunities in the oil and gas industry through our joint venture with Schlumberger, we also have business opportunities in the area of renewable energies. For example, some offshore wind turbines or tidal power plants require complex underwater drilling, which our Construction segment can carry out using special drilling rigs. These special-purpose rigs are manufactured in the Equipment segment.

MARKET OPPORTUNITIES

Constantly increasing urbanization and growing infrastructural needs are leading to increasingly large-scale building schemes, which offer many interesting project opportunities to the construction industry – and especially the companies in the specialist foundation engineering sector. The construction sector in particular benefits from an enormous need to catch up with backlogs in the rising economic countries, but also in the established industrial nations. That is not only true of the traffic infrastructure, but also for residential complexes, public buildings, dams or flood protection measures. Moreover, construction work is performed in increasingly confined urban spaces. This will require increasingly tall buildings, necessitating extensive foundation work. In addition, stationary and flowing traffic must be ever-increasingly transferred below ground, which also leads to growth in specialist foundation engineering.

Opportunities for deep drilling technology have increased further through the establishment of a joint venture with Schlumberger. In the joint venture, a new generation of highly modern deep drilling rigs for use with oil and gas drilling will be developed and constructed for Schlumberger and third parties. Overall, we are convinced that deep drilling technology will make a significant positive contribution to our earnings in future.

The strict environmental standards for oil production offer excellent market opportunities for our products and services in the Resources segment, such as constructed wetlands.

VALUE CREATION OPPORTUNITIES

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. It is also ensured that customers' wishes are viewed as 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 labor costs, such as India.

As always, our goal is not only to endure as a market player in the long term, but also to set standards as a technology leader. It is therefore one area that the company will focus on intensively in the coming years. An important driving force for digitalization in construction is for instance Building Information Modeling (BIM). This trend will also continue to grow in mechanical engineering and influence many of the business processes. Digitalization will become an opportunity for Bauer with the help of an overarching strategy that encompasses all parts of the Group.

Project opportunities

Regardless of national and global market cycles, projects often arise in otherwise weak markets which we as a corporation 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.

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.

Supplements and claims management

The assertion of requirements and supplements does not only entail risks, but also the opportunity to achieve better earnings than originally specified in the contract based on changes to the ordered construction services or supplemental work ordered by the client. On projects involving high potential for changes, this can result in a substantial improvement in earnings. We attempt to exploit such opportunities by professional management of supplemental requirements in the course of the construction project.

OVERALL OPPORTUNITIES

We are seeing a steady improvement in our opportunities on global markets as our 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 see the opportunities for our Group's worldwide business increasing once again in 2019.

An RB 40 universal drilling rig from PRAKLA Bohrtechnik GmbH was mobilized to dig several wells to ensure the supply of drinking water in the African desert town of Gao. The Resources subsidiary GWE pumpenboese GmbH supplied all flushing and engineering materials.

VI. FORECAST REPORT

As already explained in the Business Report, the BAUER Group operates in markets that generally show sustained growth rates. Due to the immense pent-up demand and need for new buildings worldwide – driven by ongoing urbanization and population growth – we assume that this growth will not change in the years to come in spite of the turbulence that is affecting global markets. However, it will remain necessary to respond extremely flexibly to shifts in market focus. The economic reorientation of the countries that are heavily dependent on oil and gas will continue for some years to come. The construction markets and the demand for equipment should continue to expand over the next few years in the established industrial nations as well as in the emerging economies. However, due to the general slowdown in economic growth, this expansion will be somewhat slower than in recent years. Persistently strong demand in Asia, especially in China, requires a prudent approach to investment and capacity building in order to remain flexible in the event of any volatility in this enormous single market. Developing countries will continue to show the greatest growth rates in construction in the coming years so that they can reach their own goals.

Our good order backlog at the end of 2018 indicates that we are successfully exploiting the opportunities presented by the markets. Furthermore, there are many interesting major projects all over the world which will enable us to maintain this high level of orders. In the Construction and Resources segments, we are able to achieve relatively high order backlogs as a result of the longer project durations.

In contrast, order intake is rather low in the Equipment segment, and this will not change in the coming years. Equipment customers interested in special construction machinery tend only to order machines when they have a particular project to carry out. Given the short order lead times, it is difficult to plan equipment so that it will precisely meet subsequent demand – above all because components and parts have very long delivery times. We are responding to this development with a corresponding platform strategy and appropriate standardization measures, and in this way we are attempting to make production more flexible and reduce inventories. Delivery times for parts will once again be a major challenge for equipment manufacturing companies and their suppliers. Delivery times have already increased again to more than twelve months for some components. We are trying to counteract this with several initiatives in purchasing and materials management. We assume that this situation will affect us for some time to come. We see significant growth opportunities for the future in our spare parts and services business as well as for our special mining and water applications.

In the last two years, we have once again achieved strong and stable levels of earnings. This applies especially to the Equipment segment, but we also managed to successfully complete many large-scale projects and generate good earnings in the Construction segment despite significantly lower overall total Group revenues.

As a result, over the last two years, we have been able to focus on gradually recovering from the very difficult years behind us. We have made good progress, but we are not yet satisfied with what we have accomplished. In the Resources segment, we are still posting very negative results even after some restructuring. We have detailed the reasons for this in the Business Report. Overall, the earnings of the Group are therefore not yet at the desired level.

We have many opportunities for the future thanks to our good order backlog, investments in the development and enhancement of our technologies and our strong efforts in the area of digitalization. Measures in areas such as value analysis and purchasing and efforts to further develop and improve construction processes and risk management – often using methods of digitalization and “digital construction” – are making an impact and have helped improve the situation. In addition, the investments we made in production and service infrastructure will provide a solid foundation for further growth without the need for major expenditures over the next few years.

Our Resources segment is now set to move forward in a positive direction thanks to further restructuring in the year gone by. The ongoing positive situation in the environmental sector and the promising, expansive opportunities offered by our constructed wetlands and other technologies have contributed to this positive outlook.

We are working hard to ensure synergy between our Construction, Equipment and Resources segments in order to leverage the competitive advantages we have gained from this broad diversification even better in the future. Digitalization will play an especially important role here. With the many measures we have taken as well as our current organization, we are well positioned for our markets and prepared for the challenges of the coming years.

In addition, we will continue to focus on key goals that we are already pursuing. These include improving our working capital, optimizing our processes in order to achieve further growth with minimal increases in costs, as well as ensuring efficient and minimum-risk project execution.

We will focus our efforts for the future in particular on the opportunities digitalization creates for our products and services. We will continue to equip our machines with electronic systems in order to ensure further economic advantages for ourselves and our customers. “Digital construction”, the internal exchange of data on our construction projects as well as with our partners and customers will allow for more efficient management of construction sites. Networking our own sites and projects remains a top priority. Digitalization is presenting many new opportunities for our company.

In view of these general conditions, it is our opinion that our business model will prove robust in 2019 as well. We have attempted to evaluate all known risks and opportunities in our plans, and think both positive and negative scenarios through as thoroughly as possible.

Nevertheless, we are obliged to point out that specialist foundation engineering and our other businesses are exposed to greater risk than those of many other companies. Our activities always include an element which cannot be analyzed perfectly in advance: the ground or soil. Even after conducting extensive and detailed preliminary ground surveys, some factors that were not detectable in advance will always arise. They can impede construction works in a wide variety of ways, and in some cases also cause significant financial losses. We continuously strive to optimize our approach to risk, so as to avoid the issues that have impacted on us over recent years. For this purpose, we are working intensively on the systematization of our quotation and execution process.

Of course, opportunities can also arise if the ground has been assessed too negatively prior to starting construction works. Our construction sites can then also generate additional profit.

There is currently no need to change the Group’s basic strategic objective. The strategy comprising the Construction, Equipment and Resources segments will continue to dictate the direction of the Group over the coming years. We are not planning any major acquisitions at present, as we intend to strengthen our capital base especially over the years ahead.

Based on the information available to us at the time of completing this report, we forecast that **total Group revenues** for the 2019 financial year will be around EUR 1.7 billion and **EBIT** will be around EUR 95 million. We expect **earnings after tax** to be significantly higher than in the previous year.

In accordance with our medium-term targets, we are continuing to plan for growth of between 3% and 8% in total Group revenues for the following years.

We still expect to post a loss in the first quarter, in line with seasonal norms, though it will balance itself out over the subsequent quarters. As such, the company’s performance is in line with the usual pattern seen in previous years. This is characterized by the fact 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 big impact on a number of our markets.

Comparison: 2018 actual / 2019 forecast

in EUR million	Actual 2018	Forecast 2019
Total Group revenues	1,686	~ 1,700
EBIT	100.1	~ 95
Earnings after tax	24.1	significant increase

We have continued to substantially improve balance sheet ratios with our programs to reduce working capital. We significantly reduced our net debt. By continuing the programs in the long term, we will gradually improve the balance sheet ratios. The positive trends in the markets at the current time should also contribute to these efforts. Over the coming years, we will be making great efforts to increase our equity ratio back to more than 30%.

After many years, we once again succeeded in our goal of significantly increasing earnings after tax. However, we must also improve our equity ratio in a lasting way again. Therefore, we believe it is appropriate to allow our shareholders to participate in this accordingly, so we intend to pay a small dividend again. The Management Board will encourage the Supervisory Board to propose a dividend of EUR 0.10 (previous year: EUR 0.10) to the shareholders at the Annual General Meeting. In the medium term, the dividend ratio should be approximately 25 to 30% of reported earnings after tax once we have improved our equity ratio once again.

We do not see any existential risks or relevant risks to future progress in our trading environment. The global economy remains marked by great change, which may, however, 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. Such assumptions and estimates always entail a degree of uncertainty and risk, which may mean that actual performance differs from that forecast.

Working as part of a consortium, the Bauer Umwelt division of BAUER Resources GmbH completed roughly 16,000 m³ of replacement boring and constructed the excavation pit for a customer in Stuttgart. A total of about 200,000 t of soil material were disposed of.

VII. LEGAL DISCLOSURES

REMUNERATION REPORT

The Remuneration Report sets forth the system of remuneration paid to the members of the Management Board and the total amounts paid to them, 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 was comprised of four members during the 2018 reporting period. Effective October 31, 2018, the Chairman of the Management Board Prof. Thomas Bauer, left the Management Board and Mr. Michael Stomberg was appointed by the Supervisory Board as Chairman, effective November 1, 2018. 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 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 non-performance-related components, chiefly a fixed basic salary, paid in equal monthly installments, and a performance-related component in the form of a variable annual bonus. This is set by the Supervisory Board on the basis of short and long-term evaluation criteria, in which case the short-term evaluation criteria are equally weighted with the long-term ones when setting the variable remuneration.

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.

Maximum limits are imposed on the total remuneration paid. 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 earnings 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 earnings 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, 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 managing 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 23, 2016 resolved that the BAUER AG financial statements and the Group consolidated financial statements for the financial years 2016 to 2020 would contain no disclosures of the remuneration paid to individual Management Board members, thereby applying the legal authority assigned to it by section 286 (5) and section 314 (3) of the German Commercial Code (HGB).

The total remuneration paid to members of the Management Board for their activities on the Management Board in the year under review, excluding allocations to pension provisions, was EUR 1,552 thousand (previous year: EUR 1,274 thousand). Of that total, EUR 1,342 thousand (previous year: EUR 1,104 thousand) was not performance-related and EUR 210 thousand (previous year: EUR 170 thousand) was performance-based. The total remuneration includes benefits in kind arising from the private use of a company car and reimbursement of expenses for each member of the Management Board, as well as group accident insurance premiums and employer's liability insurance association contributions.

Some contracts with members of the Management Board include pension commitments and a survivor's pension as part of the company pension scheme. A retirement pension is also offered through a pension plan with a deferred compensation option. The company pension scheme for Management Board members incurred pension service costs totaling EUR 50 thousand (previous year: EUR 136 thousand). The baseline salary defined for calculating retirement benefits is significantly lower in all contracts than the basic salary. Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Management Board serving at the end of the year was EUR 1,247 thousand (previous year: EUR 5,025 thousand). The total remuneration of the former members of the Management Board amounted to EUR 91 thousand for the 2018 financial year (previous year: EUR 64 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 the sum 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. No compensation was paid upon the departure of Prof. Thomas Bauer from the Management Board at the end of October 2018 and upon his candidacy for the Supervisory Board. The departing Management Board member acquired a pension entitlement upon termination of the Management Board contract.

Remuneration of the Supervisory Board

The Supervisory Board of BAUER AG comprises 12 members. Calculation of the remuneration paid to the members of the Supervisory Board is specified in detail in the Articles of Association of BAUER AG. On June 28, 2018, the Annual Shareholders' Meeting decided to amend the remuneration system for the Supervisory Board effective July 1, 2018 as part of an amendment to the Articles of Association, whereby the stipulated annual amounts are reduced in accordance with the remuneration system effective until the middle of the year and the annual amounts from the middle of the year onward are reduced proportionate to the period of time served, while in the new remuneration system, the supplementary fee for membership in a committee and the attendance fee are calculated based on the full 2018 financial year.

Under the old remuneration system until the middle of the year, each member of the Supervisory Board received annual basic remuneration of EUR 18 thousand payable in the month of December of the financial year. The chairman of the Supervisory Board received twice that amount of remuneration, and the deputy chairman 1.5 times the amount. The basic remuneration amounts increased by 10% for each membership of a Supervisory Board committee. This required that the respective committee met at least twice during the financial year.

Under the remuneration system effective from the middle of 2018 (proportional) and for the subsequent financial years, each member of the Supervisory Board receives EUR 25 thousand in fixed annual basic remuneration. The chairman receive twice that amount of basic remuneration, and the deputy chairman 1.5 times the amount. For each membership in a committee of the Supervisory Board each member receives an additional fee of 10% of the basic remuneration. This requires that the respective committee has met at least once during the financial year (meeting or telephone conference). Insofar as a member of the committee attended more than two meetings or telephone conferences of a committee of the Supervisory Board in the financial year, the respective member additionally receives an attendance fee of EUR 500 per meeting or telephone conference.

Under both the old and new remuneration systems, no supplementary remuneration is paid for membership in the Mediation Committee. Changes to the Supervisory Board and/or its committees are taken into account in both remuneration systems proportionate to the respective member's time in office, and rounded up or down to full months based on the standard commercial rule. In addition, the company reimburses the members of the Supervisory Board for expenses incurred while performing their duties and for value added tax applied to the remuneration and reimbursement of expenses. The members of the Supervisory Board do not receive any performance-based remuneration either under the old or the new remuneration system.

The net remuneration paid to all the members of the Supervisory Board in the 2018 financial year totaled EUR 308 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 favor. 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

Remuneration Supervisory Board (not including sales tax proportion and reimbursement of expenses)

in EUR '000	2017	2018
Chairman		
Dr. Klaus Reinhardt (until October 31, 2018)	37.8	37.6
Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer (since November 1, 2018)	-	7.5
Deputy Chairman		
Robert Feiger	27.0	32.3
Shareholder representatives		
Dr.-Ing. Johannes Bauer	19.8	23.6
Dipl.-Ing. (FH) Elisabeth Teschemacher	18.0	21.5
Gerardus N. G. Wirken	19.8	25.2
Prof. Dr. Manfred Nußbaumer	18.0	21.5
Dipl.-Kffr. Andrea Teutenberg	19.8	25.2
Employee representatives		
Dipl.-Kfm. (FH) Stefan Reindl	18.0	21.5
Regina Andel	18.0	21.5
Reinhard Irrenhauser	19.8	23.6
Rainer Burg	18.0	21.5
Maria Engfer-Kersten	19.8	25.2
Total	**253.8**	**307.7**

of the Management Board, the minimum excess stipulated by law of 10% 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, Managing 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. Members of the Management Board are not entitled to remuneration for accepting positions at Group companies.

STATUTORY DISCLOSURES REGARDING TAKEOVERS

The following disclosures are made pursuant to section 315 a (1) and section 289 a (1) of the German Commercial Code (HGB) as per December 31, 2018.

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. The company does not hold its own shares. 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). Shares with special rights entailing supervisory powers were not issued. Employees holding a capital share in BAUER AG exercise their supervisory rights like other shareholders in accordance with the statutory provisions and the Articles of Association.

As in the previous year, 51.81% of the shares were in free float. The members of the Bauer family and the BAUER Stiftung, Schrobenhausen, own a total of 8,256,246 no-nominal-value shares in BAUER AG on the basis of a pool agreement, representing a 48.19% share in the company. The pool agreement provisions include binding voting commitments as well as restrictions on the transferability of pool members' shares. No other direct or indirect holdings of BAUER AG share capital exceeding 10% of the voting rights are known to the company.

Authority of the Management Board to issue or buy back shares

Article 4, paragraph 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 22, 2021 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 (2016 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 case of capital increases in return for non-cash contributions, particularly for the purpose of acquiring companies, parts of companies, investments in companies and other assets or claims for the acquisition of assets, including receivables from companies or their group companies, or for the purpose of company mergers;

- 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 (3) sentence 4 AktG do not in total exceed 10% 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 or are to be sold or issued in direct or corresponding application of section 186 (3) sentence 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 10% limit;

- to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio;

- to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as non-cash contribution in return for the issuance of new shares from the approved capital 2016.

By resolution of the Ordinary Annual General Meeting held on June 26, 2014, the company was authorized to acquire treasury stock, over a limited period up to June 25, 2019, representing up to a total of 10% 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% above or 20% 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% above or 20% 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 stock market price of shares of the company carrying the same rights at the time of the sale 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 Co-determination 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 the end of the 2018 financial year, the Management Board comprises four members appointed by the Supervisory Board and a Chairman of the Management Board, as well as a Labor Director. It is permissible to re-appoint or extend the appointment of a member of the Management Board for a further maximum term of office of five years. Any appointment or re-appointment 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 (1) no. 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

BAUER AG, together with other Group companies, has concluded a syndicated loan agreement providing a credit line of up to EUR 470 million and a further syndicated loan agreement totaling EUR 53 million; this contains a provision for the lender to terminate its loan commitments in the event of a change of control or if control is gained by a third party. As defined by these syndicated loan agreements, a change of control is defined as a situation in which the total shareholding held by the pooled members of the Bauer family directly amounts to less than 40% of the capital shares or voting rights in BAUER AG. A third party gains control if, overall, more than 50% of the capital shares or voting rights in BAUER AG is held directly or indirectly by one or more persons acting jointly (with the exception of the pooled members of the Bauer family).

Furthermore, several long-term loans with balances totaling EUR 156.0 million as of the balance sheet date, agreed by BAUER AG together with other Group companies as the borrower and guarantor, provide for a right of termination for cause by 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% of voting shares or the majority of outstanding share capital of 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.

BAUER AG has not made any agreements with the members of the Management Board regarding provisions for compensation in the event of a takeover offer.

Bauer Egypt constructed a total of 70 offshore piles with diameters of up to 2 m down to depths of up to 55 m for a bridge foundation in Kous, Egypt. A BG 28 H was used.


SCHACHTBA
NORDHAUS

VIII. NON-FINANCIAL CONSOLIDATED STATEMENT

BUSINESS MODEL

The BAUER Group is a leading provider of services, equipment and products related to ground and groundwater. The operations of the Group are divided into three future-oriented segments with high synergy potential: Construction, Equipment and Resources. Further details and a more detailed description of the business model can be found in the "General information about the Group" chapter in the Combined Management Report, which is referred to here.

SUSTAINABILITY IN THE BAUER GROUP

Sustainability within the BAUER Group, as well as the other key strategies, goals and regulations, is governed by the basic principles of the Group's corporate management and control system. These are described in the "General Information about the Group" chapter in the Combined Management Report and are referred to here. They were also included in the corporate social responsibility policy, which can be found on the Group's website at www.bauer.de.

The BAUER Group has summarized key areas of action, which are also the central aspects of sustainability management, under the maxim "BAUER's Triple A": health, safety and environment, culture, quality and ethics as well as performance. The slogan is based on the highest grade awarded by rating agencies when they evaluate the strength of a company. The ultimate responsibility for the company's sustained development and its focus on these issues lies with the Group Management Board and the Managing Directors of the holding companies.

MEANING OF NON-FINANCIAL ASPECTS AND EXPLANATORY NOTES

The following section describes environmental, employee and social concerns, respect for human rights as well as anti-corruption and anti-bribery policies as non-financial aspects. As described, the framework guidelines of the BAUER Group form the basis for the Group's central strategies, goals and regulations. It also establishes definitions and concepts for the above-mentioned aspects. These apply to all subsidiaries and are the basis for explanations below.

Nonetheless, the non-financial aspects listed here are not required to understand the course of business, financial performance and position of the company, nor to understand the impact of the company's activities on each non-financial aspect. The concepts, processes and non-financial performance indicators are also of no significance for internal management and beyond. In addition, there are no significant risks to the aspects that are likely to have negative effects on the aspects themselves or on the company. Therefore, no reference is made to amounts reported in the annual financial statements, as this is not necessary for comprehension.

No framework was used for the non-financial consolidated statement in this management report, as the separately published but independent Sustainability Report is based on the framework of the GRI. It is therefore considered sufficient that the present non-financial consolidated statement only meets the minimum requirements of the Commercial Code for non-financial consolidated statements.

EMPLOYEE CONCERNS

Our employees are the basis for the company's success. In view of that fact, personnel development is a high priority in the BAUER Group. We know that only healthy, self-reliant, well-trained and satisfied employees can deliver high-quality results. We demand a high level of personal commitment from our employees. We ensure safe and well-designed workplaces and place great importance on the physical and health integrity of each employee. Therefore, the safety, health and satisfaction of our employees is one of the four goals of our company policy.

Employee development is described in the "General Information about the Group" chapter in the Combined Management Report.

Training and education

Whether in the industrial, technical or commercial area – our apprentices can expect to receive a varied education

<<< SCHACHTBAU NORDHAUSEN GmbH replaced headframe number V over the Sondershausen mine shaft, successfully completing the only project of its kind in Germany. The company provided all services, from planning to production to assembly.

which is practical and future-oriented. Year after year, we train numerous young people in about 20 different professions. In 2018, we trained 246 (previous year: 243). And because we know that our workforce is our greatest potential, continuing education plays an important role with us, right from the apprenticeship phase. Targeted training of our employees is becoming increasingly important. In view of digitalization, the production processes in our company are also becoming ever more complicated, and the requirements on the functions of our machines are growing more demanding.

BAUER Training Center GmbH represents a source of expert advice for our employees, customers and partners as well as external interested parties in all questions relating to further and continuing education. Its guiding objective is to constantly improve and professionalize its training and expand its scope in response to demand. The budget of the BAUER Training Center GmbH amounted to about EUR 3.0 million in 2018 (previous year: EUR 2.8 million). A total of 670 (previous year: 602) internal and external seminars and external conferences were attended.

Diversity

The employees of the BAUER Group come from literally all over the world. Our staff included employees from 81 different nations in 2018 – people from widely varying cultural and ethnic groups who strive on every continent to achieve our common goals. They shape our corporate culture with their different outlooks and viewpoints, experiences and traits. The promotion of diversity has therefore been firmly rooted in our corporate goals for many years.

In both the hiring and further development of our employees, we attach great value to an assessment based exclusively on their personality and qualification. Approximately 11% of the Group's employees were women in 2018, which essentially reflects the technical nature of our business and the low number of women applying for such careers.

Health, Safety & Environment (HSE)

HSE is a central element of the BAUER Group's work across the value chain. In 2011, we introduced global standards, thus creating a uniform HSE management system for all companies of the BAUER Group. By constantly reviewing our performance and comparing it against our set goals and targets, we seek to continuously improve our HSE system, and therefore to consistently minimize our accident and damage rates.

For us, the health and safety of our employees takes top priority. We strive to create a working environment that not only protects them against work-related dangers, but also enhances their health and productivity. Standards and guidelines for occupational safety in the BAUER Group are defined in cooperation with the Managing Directors and the Management Board. To enhance awareness of occupational safety throughout the company, HSE training is held regularly. A program developed by the HSE department for carrying out health and safety audits within the company also helps the subsidiaries of the BAUER Group to build up their HSE policy to the Group standard.

Regular reviews and audits confirm the consistent implementation of our safety standards. Through certifications such as OHRIS, OHSAS 18001, AMS-Bau and SCC, we ensure that our safety policies meet the requirements of the International Labor Organization (ILO).

SOCIAL CONCERNS

The BAUER Group strives to be a "good citizen" in the locations and regions where we operate. Our commitment to the community also has a positive impact on the company. We regard ourselves as an active member of the community and we are aware that, alongside our commercial obligations, we also have a social duty to the community at large. We seek to play an active role in our region and in our various industry sectors. In that context, we also contribute our efforts to numerous regional development and industry-specific associations and trade bodies.

When making decisions, companies must always consider the impact of their actions on the economy, the environment and society. We are convinced that the only way to manage our companies successfully on a sustained basis is by aligning our entrepreneurial activities with the expectations of various stakeholder groups. We can only discharge this responsibility if we understand the requirements of our stakeholders and know what motivates them. As a result, we rely on an open dialog in a spirit of confidence with our customers, partners, employees, shareholders, suppliers and community as well as with research and scientific institutions in order to share experiences and reach common solutions.

ENVIRONMENTAL CONCERNS

Our business activities inevitably have an impact on the environment, in terms of the air, the soil and the water, by way of noise and vibration, or with regard to the consumption of raw materials and primary energy. In our work, we make all efforts to impact as little as possible on the environment, and we employ the latest state-of-the-art methods in those efforts. We regard compliance with environmental laws and regulations as a minimum standard. In addition, we strive continuously to improve the standard of our environmental protection through preventive measures.

As a globally acting company, we face the challenges of environmental and climate protection around the globe. We are working continuously to reduce fuel consumption, achieve noise abatement, save water, and use energy more efficiently. Environmental policy is part of Group-wide HSE management.

RESPECT FOR HUMAN RIGHTS

Our company success is based on people – our employees just as much as our customers and partners. As a result, respect for and upholding human rights forms part of our basic understanding of social responsibility. Child labor and forced labor are not tolerated in the BAUER Group. Often, we act as a subcontractor, meaning that almost exclusively our own employees are involved in projects. It is an important task of our managers to raise awareness for these topics among our employees on-site during their regular visits. In line with our understanding of values, discrimination, particularly on grounds of religion, age, gender, race or sexual orientation, has no place in our company.

COMPLIANCE

In all countries in which we market our products and services, our companies and their employees are required to comply with ethical standards that meet the requirements of their countries. In particular, actively corrupt behavior and passive corruption are not tolerated anywhere in the world.

We do not believe that you have to “play dirty” to win; rather, it is our conviction that correct and proper conduct is the best recipe for sustained long-term success. We support this fundamental belief by clearly defining our values.

Compliance means observing all applicable laws, rules and regulations. Every employee of the BAUER Group has the duty to adhere to legal, regulatory or court-ordered rules and internal company regulations in their professional activities.

The Compliance Management System is referred to as the ethics management system in the BAUER Group and has been implemented by the Management Board in the framework guidelines in the corporate management manual for the BAUER Group. According to these guidelines, subsidiaries must take appropriate measures to ensure compliance with the rules applicable to the Group. The management teams of the Group companies also ensure that employees are aware that violations of applicable law and ethics can have far-reaching implications for the individual company and the Group.

A values program and ethics management system were developed and implemented for the BAUER Group and are binding for all employees. New employees receive training in the values program and ethics management as defined by the corporate management manual. The ethics management system is based on a Code of Conduct published by the BAUER Group on the company’s website. It emphasizes the core values of personal responsibility, reliability and appropriate conduct as well as the rules of conduct for specific situations according to selected areas of risk.

The ethics management system focuses on the proper conduct of executives and employees with regard to anti-corruption and anti-trust law. The ethics management system also focuses on ensuring compliance with legal and business ethics rules in dealings with business partners and customers as well as product safety, human and environmental health hazards resulting from our activities, export restrictions, tax and social insurance liabilities, accounting, data privacy and anti-discrimination policy.

In order to implement the ethics management system, ethics officers must be appointed in the organizational units, where required, and senior management and executive must actively communicate the contents of the ethics management system. Together with management, ethics management measures are analyzed by the ethics officer as part of a risk assessment. Wherever appropriate, the individual topics of the ethics management system are processed by specially designated officers as well as special departments that organize compliance with applicable rules and conduct requirements. The main rules applicable to the companies of the BAUER Group are defined in the corporate management manual. In the area of anti-corruption, for example, the dual control principle is defined as an essential tool for the relevant functions in the company.

The subsidiary BAUER Training Center GmbH organizes training courses and seminars for the Group. Special classroom training is provided in the core subjects of anti-corruption and antitrust law. For construction-related companies, the compliance e-learning program developed by EMB-Wertemanagement Bau e.V. is provided to all relevant employees.

The adequacy and effectiveness of the ethics management system is reviewed in internal audits by internal auditing as well as in external audits at construction-related companies in Germany that are members of EMB-Wertemanagement Bau e.V. If necessary, the system is improved based on the findings of the audits. The appointed ethics management

BAUER Spezialtiefbau GmbH is remediating a former tar factory in Offenbach in several stages. The project includes encapsulation with Mixed-in-Place walls and closure of gaps using jet grouting and sheet pile walls.

officers also continuously strive to improve the ethics management system.

A whistleblowing system has also been implemented in the corporate management manual to expose violations. Additionally, the contact details for internal auditing and the external ombudsman are published on the BAUER Aktiengesellschaft website at www.bauer.de under 'BAUER Group' – 'Ethics Management' – 'Ombudsman.'

Schrobenhausen, March 29, 2019
BAUER Aktiengesellschaft

Dipl.-Phys. Michael Stomberg Chairman of the Management Board	Dipl.-Ing. (FH) Florian Bauer, MBA	Dipl.-Betriebswirt (FH) Hartmut Beutler	Peter Hingott

The Bauer Share

Economic growth in decline

In 2018, global growth remained at the previous year's level of 3.7%. Overall, the economy was robust, but growth has declined in some regions.

Among the industrialized nations, the US economy boomed, recording 2.9% growth (previous year: 2.2%). The large corporate tax cut in the US was one reason for this expansion. Growth rates in other regions have slowed considerably, with 1.8% in the euro area (previous year: 2.4%), 1.5% in Germany (previous year: 2.5%) and 6.6% in China (previous year: 6.9%). The IMF forecasts for 2019 currently project even weaker numbers.

There are many reasons for this trend reversal. In Germany, the automotive industry is suffering from the consequences of the diesel scandal and new emissions standards. The European Union has become unsettled by Brexit and repeated concerns about Italy. Equally unsettling are the trade conflicts between the US, China and Europe and the unpredictable policies of the US president. The situation in the Middle East remains difficult, as does the economic situation in Turkey, Russia and Brazil.

The price of oil also continued to fall in 2018, putting even more strain on national budgets, especially in the Middle East. Although the Brent oil price rose from roughly 68 USD to 85 USD per barrel until October, it fell to below 55 USD by the end of the year. This was caused by increased oil production, Qatar's plans to exit OPEC in January 2019, and growing economic woes.

The gap between interest rates in the US and Europe also continued to widen. Whereas the ECB continued to keep interest rates steady, the US Federal Reserve raised interest rates four times to a range between 2.25 and 2.5%.

As a result, 2019 could bring more uncertainty for the economy and the stock markets.

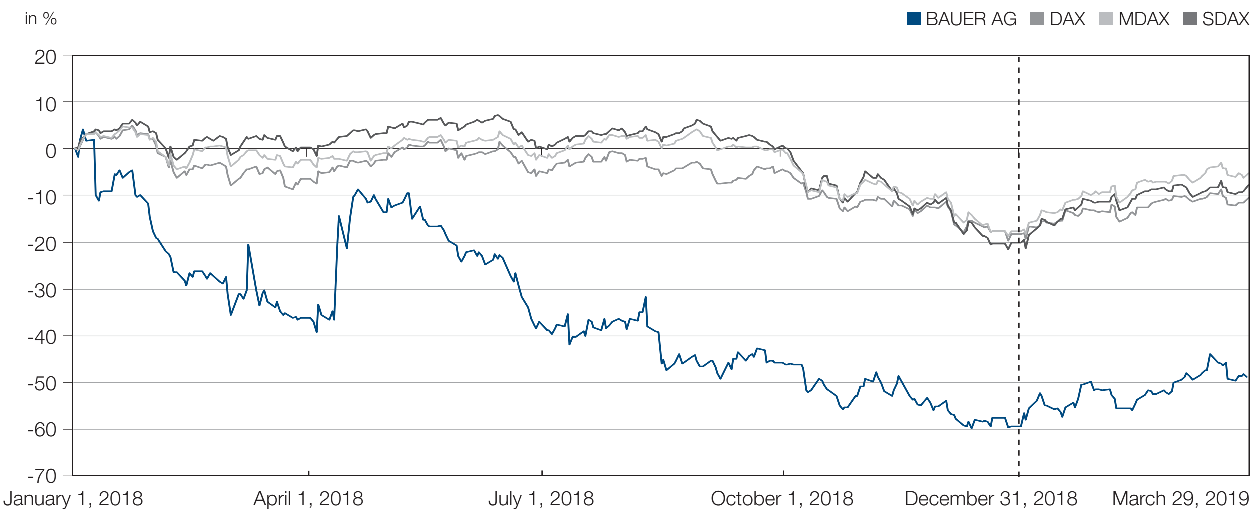
Weak performance of the Bauer share

After an extremely positive year in 2017 – shares were up 163.2% in relation to the DAX (+12.5%) and SDAX (+24.8%) indices – 2018 was weak for the Bauer share. The share price fell 58.8% and was hit harder by the difficult market environment than the DAX (-18.0%) and SDAX (-20.3%). Only in the two-year assessment did the share price increase slightly in relation to the benchmark indices.

The share price started the year at EUR 29.60, but almost immediately peaked for the year at EUR 31.25 on January 4. Triggered by the ad-hoc announcement on January 9, the stock price initially fell to EUR 26.65 and continued to drop before closing the first quarter of 2018 at EUR 19.14.

The trend reversed after the 2017 financial results and the forecast for 2018 were published on April 12. Within a few days, the price rose to 27.40 EUR.

Performance of the Bauer Share



The share price did not stay at this high level for long. It soon fell continuously and was EUR 15.26 at the beginning of September. After a month-long sideways trend, the stock market slump only added fuel to the fire and caused the share price to decline further until it fell to EUR 12.08, its lowest point for the year, on December 13.

The Bauer share closed the year at a disappointing price of EUR 12.16.

In the first quarter of 2019, the price was again positive and outperformed the DAX and SDAX benchmark indices. The Bauer share price closed the first quarter of 2019 at EUR 15.34.

Open dialogue with shareholders

The goal of the Management Board and the Investor Relations department is to openly provide information for the capital market and shareholders on a regular basis. Since 2017, interest in the share has grown significantly, as evidenced by the increased trading volume. The discussions last year focused on the succession of Prof. Thomas Bauer as Chairman of the Management Board.

Capital market conferences and roadshows, such as those in Frankfurt or London, provided an opportunity for dialogue with institutional investors.

Approximately 400 shareholders and guests attended the Annual General Meeting in Schrobenhausen in June 2018, to receive information about the company's situation from the Management Board and Supervisory Board.

In 2018, five analysts regularly reported on the Bauer share. Commerzbank initiated coverage in October; while Deutsche Bank ended coverage. At the end of the year, four analysts voted "buy" and one voted "hold." The average target share price quoted was EUR 22.38.

Share information

ISIN / WKN	DE0005168108 / 516810
Trading symbol	B5A
Trading segment	Frankfurt, Prime Standard
Share indexes	CDAX
Class of share	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

Our dividend strategy is fundamentally oriented to the goals of providing shareholders with an appropriate and fair participation in the success of the business, maintaining continuity, and safeguarding the equity ratio.

In 2018 we reached the earnings targets we originally set for the year. We would like our shareholders to enjoy an appropriate share in this success.

Nonetheless, we must continue to strike a careful balance between continuity and shareholder participation on the one hand, and safeguarding our equity ratio on the other.

The Management Board will therefore encourage the Supervisory Board to propose a dividend of EUR 0.10 (previous year: EUR 0.10) to the shareholders at the Annual General Meeting.

More information:
http://ir.bauer.de

KEY FIGURES	2015	2016	2017	2018
Earnings per share (in EUR)	1.73	0.66	0.16	1.32
Dividend per share (in EUR)	0.15	0.10	0.10	0.10 *
Dividend total (in EUR ’000)	2,570	1,713	1,713	1,713 *
Year-end price (in EUR)	17.40	11.40	30.00	12.16
Annual high (in EUR)	19.20	17.16	30.96	31.25
Annual low (in EUR)	13.85	9.45	11.73	12.08
Market capitalization at year-end (in EUR ’000)	298,079	195,293	513,930	208,313
Average daily trading volume (units)	25,570	18,173	55,439	62,434

* Proposed, subject to the consent of the Annual General Meeting on June 27, 2019

Corporate Governance

REPORT OF THE SUPERVISORY BOARD 2018

The Supervisory Board regularly monitored the work of the Management Board during the 2018 financial year on the basis of the detailed reports provided by the Management Board in written and verbal form, and provided support in the form of advice. The Management Board discharged its duties to provide the Supervisory Board with regular, prompt and comprehensive information about all questions of strategy, planning, company development, risk development and compliance that are relevant to the company and the Group. Between the meetings, the Management Board submitted monthly written reports on all important business transactions and financial indicators of the Group and the 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 the year under review, the composition of the Supervisory Board did not change except for a change in the position of Chairman of the Supervisory Board. The former Chairman of the Supervisory Board Dr. Klaus Reinhardt resigned from his position as a member of the Supervisory Board. We thank him for his services in this capacity. Within the framework of a supplementary court appointment, the former Chairman of the Management Board of the company, Prof. Thomas Bauer, was appointed to the Supervisory Board of the company, effective November 1, 2018. This appointment is limited in time until the end of the next Annual General Meeting. There were no indications of conflicts of interest among members of the Management Board or Supervisory Board requiring immediate notification of the Supervisory Board and disclosure to the Annual General Meeting.

Main focus of consultations in Supervisory Board meetings

In the year under review, there were five regular plenary sessions and two resolutions by circulation procedure. No member of the Supervisory Board attended only half or less than half of the meetings of the Supervisory Board during his or her term of office in the financial year.

Current business and earnings performance, order backlog development and developments in the markets in the Construction, Equipment, and Resources segments were discussed at all Supervisory Board meetings. The Supervisory Board takes into account the reports of the committees.

At the annual financial review meeting in April relating to the annual parent company and consolidated financial statements for the 2017 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 consideration the report from the Audit Committee, and the proposal of the Management Board with regard to the appropriation of earnings. During this meeting, the Supervisory Board discussed the selection of auditors, the remuneration system, the remuneration of the Management Board and the invitation to the Annual General Meeting. The board decided to extend the term of office of Management Board member Hartmut Beutler and discussed succession planning for the Management Board. In the second meeting of the financial year, the Supervisory Board focused on the succession for the Chairman of the Management Board and the contractual terms of this appointment.

The June meeting focused on succession planning for the positions of Chairman of the Management Board of BAUER AG and Chairman of the Management Board of BAUER Maschinen GmbH. During this meeting, the contractual terms of the resignation of the former Chairman of the Management Board were defined and a service contract to support the transfer of Management Board functions to a new Chairman of the Management Board was concluded with the approval of the plenary Supervisory Board.

In September, the Supervisory Board visited a production site in Immenstadt to see the local products for itself. The meeting of the Supervisory Board focused primarily on medium-term consolidated balance sheet planning. Mr. Michael Stomberg was appointed Chairman of the Management Board and a nominee was proposed for a successor to Dr. Klaus Reinhardt, who resigned from the Supervisory Board.

At the Supervisory Board meeting in December of the year under review, the business performance in the individual divisions was discussed, an updated declaration of conformity was adopted in accordance with the German Corporate Governance Code and the annual planning for the financial year was approved. Additionally, the Supervisory Board focused on a restructuring measure in the Resources segment, the revised version of the rules of procedure governing the work of the Management Board, and the composition of the Nominations Committee. The Supervisory Board also reviewed the efficiency of its activities in accordance with the German Corporate Governance Code.

Work carried out by the subcommittees

There were four committees of the Supervisory Board. The Mediation Committee and the Nominations Committee were not required to convene. The chairpersons submitted regular reports on the main content of the subcommittee meetings to the plenary Supervisory Board meetings. None of the committee members attended only half or less than half of the committee meetings during their term in office.

Two meetings of the Presidial and Personnel Committee were convened. At those meetings, preparations were made for the decisions 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, as well as to the performance bonus framework. Other topics on the agenda included the declaration of conformity in accordance with the German Corporate Governance Code, the rules of procedure for the Management Board, the extension of the term of office of Hartmut Beutler as member of the Management Board, and the change in the position of the Chairman of the Management Board.

The Audit Committee held three conference calls and two meetings in the financial year. The committee reviewed the audit of the quarterly statements, the half-year interim report and, in the presence of the auditors, the audit of the annual financial statements of the parent company and the consolidated financial statements of the Group as well as the additional auditor's report. It also scrutinized the Management Board's proposal regarding the appropriation of earnings as well as the selection and appointment of auditors of financial statements. The Audit Committee obtained the required declaration of independence from the auditor and agreed on fees for auditing services. Audit content for key audit points was determined in consultation with the auditor. In addition, the committee held a special session to discuss the earnings protection program, risk management and internal audit measures and reviewed the end-of-year projections.

Auditing of 2018 annual and consolidated financial statements

The annual financial statements of BAUER AG to December 31, 2018 and the consolidated financial statements of the Group, as well as the Combined Management Report, including the Group accounts, were audited by the auditors elected by the Annual General Meeting and duly appointed by the Supervisory Board, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, Stuttgart. The accounts were certified by the auditors without reservation. The Audit Committee scrutinized the audit documentation, the non-financial consolidated statement and the reports submitted by auditors. The Committee reported on its review to the Supervisory Board. The auditors attended the meeting of the Audit Committee as well as the annual financial review meeting of the plenary Supervisory Board.

The audit documentation along with the non-financial consolidated statement and reports from auditors were provided to all members of the Supervisory Board in good time for scrutiny. The Supervisory Board duly noted and concurred with the findings of the auditors' review of the parent company and Group consolidated financial statements and the Combined Management Report. On conclusion of the Supervisory Board's review, no objections were raised. The annual financial statements of BAUER AG and the consolidated financial statements of the Group were approved by the Supervisory Board at its financial review meeting on April 11, 2019. The annual financial statements of BAUER AG were thereby confirmed. Following prior consultations by the Audit Committee, the Supervisory Board concurred with the proposal of the Management Board regarding the appropriation of distributable net profit.

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

Schrobenhausen, April 2019

The Supervisory Board

Prof. Thomas Bauer

Chairman of the Supervisory Board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CORPORATE GOVERNANCE REPORT

AND DECLARATION ON CORPORATE GOVERNANCE

The Management Board, also on behalf of the Supervisory Board, submits the following report in accordance with Article 3.10 of the German Corporate Governance Code. The Corporate Governance Report is also equivalent to the Declaration on Corporate Governance pursuant to Articles 289f and 315d of the German Commercial Code (HGB), which forms part of the Combined Management Report for the 2018 financial year.

Declaration of Conformity 2018
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. On December 6, 2018 the Management Board and Supervisory Board passed the following declaration of conformity:

"Since the last declaration in December 2017 the company has complied with, and currently complies with, each of the recommendations of the "Government Commission of the German Corporate Governance Code" as published by the German Federal Ministry of Justice in the official section of the German Federal Gazette ("Bundesanzeiger"), with the following exceptions:

1. Contrary to no. 3.8 an excess of at least 10% 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 for D&O insurance for the Supervisory Board. 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 a corresponding excess, the Supervisory Board members will perform their duties responsibly.

2. Contrary to no. 4.1.5 there is no appropriate inclusion or participation of women arranged for in the filling of management positions. In particular, the introduction of a quota for women is not supported in order to ensure equal opportunities. 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. The individualized disclosures of the benefits, the remuneration and the pension benefits awarded to each member of the Management Board are not individualized for each member of the Management Board in the remuneration report as the Annual General Meeting dated June 23, 2016 resolved on the omission of the disclosures according to section 285 no. 9 (a) sentences 5 to 8, section 315a (1) and section 314(1) no. 6 (a) sentences 5 to 8 of the German Commercial Code (HGB) and therefore the disclosures required under no. 4.2.5 would contradict such shareholder resolution. Similarly, the compensation paid or benefits granted to the Supervisory Board members by the company for services provided personally are not individually disclosed for data protection reasons as required in no. 5.4.6.

4. Contrary to no. 5.1.2 and no. 5.4.1, no age limit for members of the Management Board or Supervisory Board and no time limit to the length of membership in the Supervisory Board are specified. Expertise and performance as well as independence cannot be determined on the basis of rigid age limits or length of membership. Upon the appointment of new Management Board and Supervisory Board members or upon prolongation of their membership at the end of the statutory term of office, the persons in the Supervisory Board and the Annual General Meeting who bear responsibility for selecting suitable members will take account of the age and the independence of the chosen person when reaching their decision, alongside assessing their skills.

5. Contrary to no. 7.1.2, the consolidated financial statements at December 31, 2017 were made public within 102 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 take 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 German Government Commission on the Corporate Governance Code."

<<< *A retaining wall for a new indoor discovery center was constructed using the CSM method in the Scheveningen district of the Hague, Netherlands. An RG 21 T from RTG Rammtechnik GmbH was used.*

Roles of the Management Board and Supervisory Board

German company law prescribes a dual system of management for BAUER AG, characterized by a separation between the Management Board as the executive management body and the Supervisory Board as the supervising body. Moreover, the company's Articles of Association and the rules of procedure governing the work of the Supervisory Board and of the Management Board also lay down the basic structures of their collaboration.

The Management Board is assigned independent responsibility for managing the company. Notwithstanding the joint overall responsibility of the Management Board, each member of the Management Board acts on his or her own responsibility within his or her assigned portfolio of functions. Measures and transactions of a division of the Management Board that are of extraordinary importance for the company or a business unit, or which are associated with an extraordinary financial risk, require the prior approval of the entire Management Board. The Chairman 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. A member of the Management Board has been appointed Labor Director, and is responsible to an increased extent for human resources and social policy topics in the company. The Management Board defines the corporate strategy, agrees on it in consultation with the Supervisory Board, and ensures that it is implemented. The Management Board provides the Supervisory Board and its subcommittees with information about all matters relevant to the company through monthly reports, conference calls as well as routine and special sessions.

The Supervisory Board appoints the Management Board. In doing so, it considers not only the relevant professional qualification of its members but also – given the international nature of the business – the diversity of its composition. The Supervisory Board also sets the overall level of remuneration paid to the Management Board, regularly reviews remuneration levels, and specifies the remuneration paid to individual members of the Management Board. It 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. Duties of the Supervisory Board include reviewing the annual financial statements of the company, the consolidated financial statements and the parent company and Group Management Report, as well as proposals for the appropriation of distributable net profit. 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 efficacy of its activities.

Composition of the Supervisory Board

Pursuant to the German Co-Determination Act, the Supervisory Board of BAUER AG comprises 12 members, with half of them being appointed by the employees and the other half by the Annual General Meeting. 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.

The Supervisory Board of BAUER AG currently comprises four women and eight men and therefore each half of the Supervisory Board is comprised of at least 30% women and at least 30% men pursuant to section 96 (2) of the German Stock Corporation Act.

The Supervisory Board has defined a competency profile and diversity plan to ensure that its members collectively possess the necessary skills, knowledge and professional experience to carry out its assigned role in a correct and proper manner. As part of this plan, the Supervisory Board shall include not 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. In addition, the Supervisory Board shall not consist of more than two former members of the Management Board and members of the Supervisory Board shall not exercise any executive or advisory functions for significant competitors of the company. When appointments are made to the Supervisory Board, a candidate shall not be disadvantaged for reasons of race, ethnic origin, disability, religion or world view.

Supervisory Board posts should be filled on merit, regardless of gender, so that neither men nor women are preferred or disadvantaged. An exception to this rule is made if a person of a specific gender is disadvantaged in order to fulfill the statutory gender quota. According to the German Stock Corporation Act, the Supervisory Board of BAUER AG must be comprised of at least 30% women and at least 30% men. An age limit and a regular limit on the length of membership of the Supervisory Board have not been specified, as the competence and performance of a member of the Supervisory Board cannot be determined by strict rules.

The employees' representatives on the Supervisory Board will be elected in accordance with the provisions of the German Employees' Co-determination Act. The Supervisory Board observes the following principles in nominating shareholder representatives:

- 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 shareholder representative 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 current structure of the Supervisory Board fully complies with the objectives and the competency profile or diversity plan for the Supervisory Board as well as legal requirements.

Effective October 31, 2018, Chairman of the Management Board Prof. Thomas Bauer stepped down from the Management Board and was appointed by court appointment to the Supervisory Board. His appointment is effective from November 1, 2018 until the end of the next Annual General Meeting. Members of the Management Board may not become members of the company's Supervisory Board prior to two years after the end of their appointment unless they are nominated by shareholders holding more than 25% of the voting rights in the company. Nominations for these appointments were submitted by the company's shareholders as part of the court-ordered appointment process. Effective November 9, 2018, Prof. Thomas Bauer was also elected Chairman of the Supervisory Board by the plenary Supervisory Board. The Chairman of the Management Board's transfer to the position of Chairman of the Supervisory Board was supported by all members of the Supervisory Board based on the candidate's formative influence on the corporate culture of the Group and his wealth of experience.

Composition and roles of the subcommittees

The Supervisory Board has established four standing committees constituted from among its members. The Supervisory Board subcommittees and their roles and procedures are laid down in the rules of procedure governing the Supervisory Board. The chairmen of the various committees submit regular reports on their work to the plenary Supervisory Board meetings.

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 discusses corporate governance matters.

The Audit Committee comprises three members elected by the Supervisory Board by a majority of the votes cast, with two members proposed by the Supervisory Board members of the shareholders and one member proposed by the Supervisory Board member of the employees. The Chairman of the Audit Committee is elected by the Supervisory Board at the suggestion of the shareholders' representatives. The Chairman of this committee is an independent member of the Supervisory Board possesses specific knowledge and experience in the application of accounting policies and audit 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 including compliance. The Audit Committee prepares the proposal of the Supervisory Board to the Annual General Meeting concerning the appointment of auditors, and assesses their independence. 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 Combined Management Report, as well as preparing the proposal on appropriation of distributable net profit and consulting on the audit reports with the auditors. It also reviews the half-year interim report and quarterly statements.

The Nominations Committee comprises three shareholder representative members of the Supervisory Board. The Chairman and the Deputy Chairman of the Nominations Committee are proposed and elected by the Supervisory Board members of the shareholders. 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 is only convened if a proposed candidate for appointment as a member of the Management Board has not obtained the majority vote required by the German 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 2018 financial year is published in the company's Annual Report on pages 70 to 71. This report is thereby quoted by way of reference.

Structure of the Management Board

The Management Board consists of four members. Effective October 31, 2018, the Chairman of the Management Board, Prof. Thomas Bauer, stepped down from the Management Board and, effective November 1, 2018, Michael Stomberg was appointed by the Supervisory Board as his successor. The Supervisory Board has defined a competency profile and diversity plan for the Management Board to ensure that its members collectively possess the necessary skills, knowledge and professional experience to carry out its assigned role in a correct and proper manner. Management Board posts shall be filled on merit, regardless of gender so that neither men nor women are preferred or disadvantaged. When appointments are made to the Management Board, a candidate shall not be disadvantaged for reason of race, ethnic origin, disability, religion or world view. An age limit and a limit on the length of membership of the Management Board for extensions of a Management Board appointment have not been specified. Expertise and performance as well as independence cannot be determined on the basis of rigid age limits or length of membership and must be decided on an individual basis. The Management Board should have strong business and technical qualifications. In addition, the following priorities should be considered when filling positions:

- Because the Group is a family company, candidates who are members of the family are more likely to be preferred over other candidates if they are suitably qualified for the Management Board;

- Candidates with several years of work experience in the BAUER Group are more likely to be preferred over candidates from outside if they are suitably qualified for the Management Board;

- Other key selection criteria include strategic skills, industry networking and market experience, teamwork skills, leadership and resilience.

The current structure of the Management Board fully complies with the objectives, the competency profile and diversity plan for the Management Board.

Determination of the female quota in the Management Board and executive levels

The Supervisory Board determined a female target quota of 0% for the Management Board until June 28, 2022. This target has been met by the current Management Board structure. The Management Board specified a female target quota of 30% rounded in the top executive level beneath the Management Board until June 28, 2022 and 28.57% until June 30, 2022 for the second executive level beneath the Management Board. At the end of the year under review, these targets were also reached at the first level of management below the Management Board, where the female quota was 33.33%, and at the second management level, where the quota was 31.58%. Regardless of the legal requirement to set target quotas, the Group is committed to supporting women and men who want to become executives and, as a technology-driven company, is especially interested in inspiring women to pursue technical professions. However, the company believes that statutory quotas lead to gender inequality. For a small number of executive positions, the candidate's suitability for the position, not gender, should be the deciding factor, and equal opportunities should be given to all genders.

Corporate Governance and Compliance

The company's system of corporate governance is based on German law, specifically on legislation governing public limited companies, corporate co-determination and capital markets, as well as on the company's Articles of Association. The company's Articles of Association are published on the company website at www.bauer.de, in the "Investor Relations" section under "Corporate Governance". The Management Board employs the Corporate Management Manual implemented throughout the Group as its central instrument of management. This manual also stipulates the framework guidelines and management principles applicable for the Group as well as its basic values. A code of conduct has also been published on the company's website and included in the Ethics Management Program of the Group to ensure that all BAUER Group employees conduct themselves in compliance with the rules.

An appropriate system of risk management and of internal controls is established within the company. The essential features of the control and risk management system are set out in the Risk Report forming part of the Combined Management Report. Internal auditing systems monitor compliance with laws and standards across the Group. The Management Board regularly updates the Supervisory Board on existing risks and risk trends, as well as on internal auditing procedures. Furthermore, the company has introduced a data privacy system that applies to all employees of European companies that handle personal data.

Shareholders and Transparency

The company provides regular and timely information relating to the position of the company and in respect of material changes to the business. Extensive information resources are provided on the company's website. In addition, electronic distribution systems and the German Federal Gazette ("Bundesanzeiger") are used to ensure timely communication with our shareholders and with the public at large. No company share option schemes or similar stock incentive programs existed during the past financial year.

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 and the structure of the remuneration system are disclosed in the Remuneration Report on pages 56 to 59 of the company's Annual Report.

Balance Sheet and Income Statement of BAUER Aktiengesellschaft in accordance with HGB (German Commercial Code)

80 **Income Statement of BAUER Aktiengesellschaft**

81 **Balance Sheet of BAUER Aktiengesellschaft as of December 31, 2018**

<<< *For the foundation of the continuous elevated metro line 2 in Panama City, the local Bauer subsidiary used a BG 28, a BG 39 and a BG 40 to install 783 bored piles up to 2,250 mm in diameter to depths of up to 43 m.*

Income Statement of BAUER Aktiengesellschaft

in EUR '000	12M/2017	12M/2018
Sales revenues	36,530	39,305
Other capitalized goods and services for own account	0	0
Other operating income	6,025	2,921
	42,555	**42,226**
Cost of materials	-8,656	-8,653
Personnel expenses	-18,290	-21,573
Amortization of intangible assets and depreciation of property, plant and equipment	-3,457	-3,524
Other operating expenses	-38,396	-50,247
	-68,799	**-83,997**
Operating result	**-26,244**	**-41,771**
Income from participations	13,000	43,699
Other interest and similar income	11,686	8,563
Interest and similar expenses	-8,679	-9,567
Financial result	**16,007**	**42,695**
Result from operating activities	**-10,237**	**924**
Income tax expenses	-969	813
Other taxes	-22	-24
Net profit/loss for the year	**-11,228**	**1,713**
Profit carried forward	1,713	1,713
Withdrawals from other revenue reserves	12,941	0
Dividend payment	-1,713	-1,713
Distributable net profit	**1,713**	**1,713**

Balance Sheet of BAUER Aktiengesellschaft as at December 31, 2018

Assets

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Fixed assets		
Intangible assets	3,421	2,746
Property, plant and equipment	4,980	6,514
Financial assets	132,341	142,400
	140,742	**151,660**
Current assets		
Inventories Raw materials and supplies	74	97
Receivables and other assets (of which receivables from affiliated companies)	186,963 (184,900)	185,174 (181,693)
Cash at banks	6,868	321
	193,905	**185,592**
Prepayments and deferred charges	**855**	**1,170**
Deferred tax assets	**1,465**	**2,537**
	336,967	**340,959**

Equity and liabilities

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Equity		
Subscribed capital	73,001	73,001
Capital reserve	39,781	39,781
Revenue reserves	2,055	2,055
Distributable net profit (of which profit carried forward)	1,713 (1,713)	1,713 (1,713)
	116,550	**116,550**
Provisions (of which provisions for pensions)	**11,947** (9,825)	**16,871** (12,416)
Liabilities (of which liabilities payable to affiliated companies)	**208,470** (37,447)	**207,538** (6,364)
	336,967	**340,959**


BAUER
BAUER BG 39

Consolidated Financial Statements in accordance with IFRS

84 **Consolidated Income Statement**

84 **Consolidated Statement of Comprehensive Income**

85 **Consolidated Statement of Cash Flows**

86 **Consolidated Balance Sheet at December 31, 2018**

88 **Consolidated Statement of Changes in Equity**

89 **Notes to the Consolidated Financial Statements**

89 General notes
116 Segment reporting
118 Explanatory notes to the consolidated income statement
123 Explanatory notes to the consolidated balance sheet
154 Other disclosures
176 List of shareholdings of the BAUER Group

181 **Audit opinion**

191 **Assurance by the legal representatives**

<<< In Ingolstadt, BAUER Spezialtiefbau GmbH constructed an impermeable excavation pit for a hotel using a pile wall tied back with 182 double anchors and 100 foundation piles.

Consolidated Income Statement and Statement of Comprehensive Income

INCOME STATEMENT

in EUR '000	Notes	12M/2017	12M/2018
Sales revenues	(7)	1,667,861	1,589,091
Changes in inventories		-10,825	1,552
Other capitalized goods and services for own account	(8)	8,519	8,825
Other income	(9)	22,582	17,468
Consolidated revenues		**1,688,137**	**1,616,936**
Cost of materials	(10)	-919,596	-821,496
Personnel expenses	(11)	-383,530	-392,384
Other operating expenses	(12)	-202,458	-204,440
Earnings before interest, tax, depreciation and amortization (EBITDA)		**182,553**	**198,616**
Depreciation and amortization a) Depreciation of fixed assets	(13)	-78,342	-80,967
b) Write-downs of inventories due to use	(14)	-14,644	-17,590
Earnings before interest and tax (EBIT)		**89,567**	**100,059**
Financial income	(15)	37,649	38,204
Financial expenses	(16)	-90,784	-76,992
Share of the profit or loss of associated companies accounted for using the equity method	(17)	-1,124	4,594
Earnings before tax (EBT)		**35,308**	**65,865**
Income tax expense	(18)	-31,643	-41,778
Earnings after tax		**3,665**	**24,087**
of which attributable to shareholders of BAUER AG		2,740	22,577
of which attributable to non-controlling interests		925	1,510

in EUR		12M/2017	12M/2018
Basic earnings per share	(19)	0.16	1.32
Diluted earnings per share	(19)	0.16	1.32
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	12M/2017	12M/2018
Earnings after tax	**3,665**	**24,087**
Income and expenses which will not be subsequently reclassified to profit and loss		
Revaluation of commitments arising from employee benefits after termination of employment	3,250	-6,301
Deferred taxes on that revaluation with no effect on profit and loss	-873	1,686
Market valuation of other investments	0	-1,663
Income and expenses which will be subsequently reclassified to profit and loss		
Market valuation of derivative financial instruments (hedging reserve)	7,549	-1,479
Included in profit and loss	-6,285	2,608
Market valuation of derivative financial instruments (reserve for hedging costs)	0	-494
Included in profit and loss	0	293
Deferred taxes on financial instruments with no effect on profit and loss	-355	-261
Exchange differences on translation of foreign subsidiaries	-19,983	986
Other comprehensive income	**-16,697**	**-4,625**
Total comprehensive income	**-13,032**	**19,462**
of which attributable to shareholders of BAUER AG	-12,666	18,394
of which attributable to non-controlling interests	-366	1,068

Consolidated Statement of Cash Flows

in EUR '000	12M/2017	12M/2018
Cash flows from operational activity:		
Earnings before tax (EBT)	35,308	65,865
Depreciation of property, plant and equipment and intangible assets	78,342	80,967
Depreciation of financial assets	131	2,392
Write-downs of inventories due to use	14,644	17,590
Financial income	-10,062	-38,204
Financial expenses	40,546	74,600
Other non-cash transactions and results of de-consolidations	37,836	25,412
Dividends received	3,052	2,698
Income from the disposal of property, plant and equipment and intangible assets	-4,804	2,089
Income from associated companies accounted for using the equity method	-1,124	4,594
Change in provisions	-1,042	-3,051
Change in trade receivables	18,095	-32,662
Change in contract assets	-5,968	8,125
Change in other assets and in prepayments and deferred charges	4,212	4,783
Change in inventories	-23,237	-35,778
Change in trade payables	35,775	-10,349
Change in contract liabilities	-9,325	1,411
Change in other current and non-current liabilities	-3,566	2,561
Cash and cash equivalents generated from day-to-day business operations	**208,813**	**173,043**
Income tax paid	-25,483	-25,599
Net cash from operating activities	**183,330**	**147,444**
Cash flows from investment activity:		
Acquisition of property, plant and equipment and intangible assets	-88,161	-94,540
Proceeds from the sale of property, plant and equipment and intangible assets	23,394	37,296
Consolidation scope-related change in financial resources	-49	-356
Net cash used in investing activities	**-64,816**	**-57,600**
Cash flows from financing activity:		
Raising of loans and liabilities to banks	217,781	318,841
Repayment of loans and liabilities to banks	-277,088	-341,089
Repayment of liabilities from finance lease agreements	-12,583	-19,083
Disbursements for the acquisition of additional shares in subsidiaries	0	0
Dividends paid	-2,362	-2,526
Interest paid	-35,377	-39,411
Interest received	6,897	8,180
Net cash used in financing activities	**-102,732**	**-75,088**
Changes in liquid funds affecting payments	**15,782**	**14,756**
Influence of exchange rate movements on cash	-1,979	565
Total change in liquid funds	**13,803**	**15,321**
Cash and cash equivalents at beginning of reporting period	**33,463**	**47,266**
Cash and cash equivalents at end of reporting period	**47,266**	**62,587**
Change in cash and cash equivalents	**13,803**	**15,321**

Consolidated Balance Sheet at December 31, 2018

Assets

in EUR '000	Notes	Dec. 31, 2017	Dec. 31, 2018
Intangible assets	(20)	21,021	18,077
Property, plant and equipment	(20)	407,429	411,571
Investments accounted for using the equity method	(20)	121,315	113,019
Participations	(20)	11,733	8,350
Deferred tax assets	(21)	45,607	49,189
Other non-current assets	(22)	7,653	7,637
Other non-current financial assets	(23)	14,389	13,198
Non-current assets		**629,147**	**621,041**
Inventories	(24)	430,606	426,353
Less advances received for inventories	(24)	-13,883	-16,098
		416,723	410,255
Contract assets	(25)	148,203	145,005
Trade receivables	(25)	317,488	334,978
Receivables from enterprises in which the company has participating interests	(25)	4,175	7,846
Payments on account	(25)	4,726	3,163
Other current assets	(25)	33,673	35,748
Other current financial assets	(25)	12,326	8,371
Effective income tax refund claims		3,976	3,290
Cash and cash equivalents	(26)	47,266	62,587
Current assets		**988,556**	**1,011,243**
		1,617,703	**1,632,284**

Equity and liabilities

in EUR '000	Notes	Dec. 31, 2017	Dec. 31, 2018
Subscribed capital		73,001	73,001
Capital reserve		38,404	38,404
Other revenue reserves and distributable net profit		304,078	316,907
Equity of BAUER AG shareholders		**415,483**	**428,312**
Non-controlling interests		3,249	3,504
Equity	(27)	**418,732**	**431,816**
Liabilities to banks	(28)	155,621	308,472
Liabilities from finance lease agreements	(28)	20,356	20,739
Provisions for pensions	(29)	126,332	134,389
Other non-current liabilities	(28)	6,883	5,335
Other non-current financial liabilities	(28)	4,418	9,093
Deferred tax liabilities	(21)	20,789	23,396
Non-current debt		**334,399**	**501,424**
Liabilities to banks	(30)	429,589	256,743
Liabilities from finance lease agreements	(30)	14,324	10,057
Contract liabilities	(30)	51,083	52,426
Trade payables	(30)	233,519	224,502
Liabilities to enterprises in which the company has participating interests	(30)	690	860
Other current liabilities	(30)	79,706	80,063
Other current financial liabilities	(30)	16,652	19,304
Effective income tax obligations		16,202	31,687
Provisions	(31)	20,188	20,501
Current portion of provisions for pensions	(29)	2,619	2,901
Current debt		**864,572**	**699,044**
		1,617,703	**1,632,284**

Consolidated Statement of Changes in Equity from January 1, 2017 to December 31, 2018

in EUR '000			Other revenue reserves and unappropriated net profit						
	Subscribed capital	Capital reserve	Revenue reserves	Currency conversion	Derivative financial instruments (hedging reserve)	Derivative financial instruments (reserve for hedging costs)	Equity instruments	Non-controlling interests	Total
As of Jan. 1, 2017	**73,001**	**38,404**	**316,422**	**3,962**	**-1,922**	**0**	**0**	**4,264**	**434,131**
Earnings after tax	0	0	2,740	0	0	0	0	925	**3,665**
Exchange differences on translation of foreign subsidiaries	0	0	0	-18,683	0	0	0	-1,300	**-19,983**
Revaluation of commitments arising from employee benefits after termination of employment	0	0	3,238	0	0	0	0	12	**3,250**
Market valuation of derivative financial instruments	0	0	0	0	1,264	0	0	0	**1,264**
Deferred taxes with no effect on profit and loss	0	0	-870	0	-355	0	0	-3	**-1,228**
Total comprehensive income	**0**	**0**	**5,108**	**-18,683**	**909**	**0**	**0**	**-366**	**-13,032**
Changes in basis of consolidation	0	0	-5	0	0	0	0	0	**-5**
Dividend payments	0	0	-1,713	0	0	0	0	-649	**-2,362**
Other changes	0	0	0	0	0	0	0	0	**0**
As of Dec. 31, 2017	**73,001**	**38,404**	**319,812**	**-14,721**	**-1,013**	**0**	**0**	**3,249**	**418,732**
As of Jan. 1, 2018	**73,001**	**38,404**	**319,812**	**-14,721**	**-1,013**	**0**	**0**	**3,249**	**418,732**
Changes to accounting methods	0	0	-4,102	0	0	0	0	0	**-4,102**
As of Jan. 1, 2018 (adjusted)	**73,001**	**38,404**	**315,710**	**-14,721**	**-1,013**	**0**	**0**	**3,249**	**414,630**
Earnings after tax	0	0	22,577	0	0	0	0	1,510	**24,087**
Exchange differences on translation of foreign subsidiaries	0	0	0	1,436	0	0	0	-450	**986**
Revaluation of commitments arising from employee benefits after termination of employment	0	0	-6,308	0	0	0	0	7	**-6,301**
Market valuation of other participations	0	0	0	0	0	0	-1,663	0	**-1,663**
Market valuation of derivative financial instruments	0	0	0	0	1,129	-201	0	0	**928**
Deferred taxes with no effect on profit and loss	0	0	1,685	0	-317	56	0	1	**1,425**
Total comprehensive income	**0**	**0**	**17,954**	**1,436**	**812**	**-145**	**-1,663**	**1,068**	**19,462**
Changes in basis of consolidation	0	0	250	0	0	0	0	0	**250**
Dividend payments	0	0	-1,713	0	0	0	0	-813	**-2,526**
Other changes	0	0	0	0	0	0	0	0	**0**
As of December 31, 2018	**73,001**	**38,404**	**332,201**	**-13,285**	**-201**	**-145**	**-1,663**	**3,504**	**431,816**

Notes to the Consolidated Financial Statements

GENERAL NOTES

GENERAL INFORMATION

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 (HRB 101375).

The BAUER Group is a provider of services, equipment and products dealing with ground and groundwater. The Group markets its products and services all over the world. The operations of the Group are divided into three segments: Construction, Equipment and Resources.

BAUER AG is listed in the Prime Standard of the German stock market.

1. BASIS OF PREPARATION

The consolidated financial statements of BAUER AG were prepared in accordance with Section 315e of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS), as adopted by the EU. The consolidated financial statements were prepared on the basis of historical cost, limited 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 using the nature of expenses method and covers the period from January 1 to December 31.

2. BASIS OF CONSOLIDATION

The basis of consolidation includes the ultimate parent company 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 rights share of over 50%. When assessing whether control is exerted, the existence and effect of potential voting rights currently exercisable or convertible are considered.
Subsidiaries are not consolidated and do not fall within the scope of IFRS 9 if their business operations are dormant or minor and they are, individually and as a whole, of minor importance for conveying a picture of the true and fair view of the net assets, financial and earnings situations as well as the cash flows of the BAUER Group. They are recognized in the consolidated financial statements with their respective acquisition costs, taking into account any necessary impairments and value recovery adjustments.

In 2018, 113 companies were consolidated into the consolidated financial statements (previous year: 110). In the financial year, 5 (previous year: 2) companies were included in the basis of consolidation for the first time. Since the beginning of 2018, 2 (previous year: 3) companies were de-consolidated due to merger, sale and discontinuation of operations. Consortia are not included in the number of consolidated companies due to the short-term nature of these projects.

The following overview shows the number of subsidiaries by segment (without construction joint ventures):

	Main business	Registered office	Number of companies with 100% share		Number of companies with a share less than 100%		Number of associated companies		Number of joint ventures		Total	
			Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Construction segment	Specialist foundation engineering	Global	37	39	3	3	1	1	1	1	42	44
Equipment segment	Equipment manufacture and sales	Global	25	25	4	4	2	3	2	2	33	34
Resources segment	Water, environmental technology and natural resources	Global	24	24	4	4	1	1	2	2	31	31
'Other' segment	Central services	Global	4	4	0	0	0	0	0	0	4	4
Total			**90**	**92**	**11**	**11**	**4**	**5**	**5**	**5**	**110**	**113**

If the quality assessment of a new subsidiary finds that the company is immaterial in terms of the operative segment or Group, it may not be included in the consolidated financial statements.
Consequently, the non-inclusion of any one company must not result in material changes to the Group's net asset, financial and earnings position, 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% of their voting rights. This is the result of state restrictions which stipulate that foreign investors may not hold more than 50% of the voting rights in domestic companies. In such cases BAUER AG makes use of so-called agency constructions, whereby more than 50% 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 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 5 companies as of December 31, 2018 (previous year: 4). Joint ventures were likewise consolidated according to the equity method.
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 of BAUER Aktiengesellschaft 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. BAUER Corporate Services Private Limited, BAUER Equipment India Private Limited and BAUER Specialized Foundation Contractor India Private Limited prepare their annual financial statements for March 31 due to local statutory requirements.

Application of section 264, subsection 3 of the German Commercial Code (HGB)

Section 264, subsection 3 of the German Commercial Code (HGB) has been exercised for the following companies:

PRAKLA Bohrtechnik GmbH
KLEMM Bohrtechnik GmbH
EURODRILL GmbH
GWE pumpenboese GmbH
BAUER Resources GmbH
ESAU & HUEBER GmbH
ESAU & HUEBER Verwaltungs GmbH
RTG Rammtechnik GmbH
SCHACHTBAU NORDHAUSEN Stahlbau GmbH
SCHACHTBAU NORDHAUSEN Bau GmbH
SPESA Spezialbau und Sanierung GmbH

Application of section 291, subsection 1 of the German Commercial Code (HGB)

BAUER Resources GmbH and PRAKLA Bohrtechnik GmbH have utilized the exemption option under section 291, subsection 1 of the German Commercial Code (HGB) and has not prepared a consolidated financial statement and management report.

Changes at subsidiaries:

Construction segment

In the fourth quarter of the 2018 financial year, BAUER Specialized Foundation Contractor India Pvt. Ltd., BAUER Fundaciones Dominicana S.R.L. and First Asian Ltd. were included in the consolidated financial statements for the first time. The companies were previously not consolidated owing to their minor importance.
BAUER Romania S.R.L. also merged with BAUER Spezialtiefbau Wien GmbH in the fourth quarter.

Equipment segment

In the second quarter of the 2018 financial year, 5.7% of shares in AO Mostostrojindustria, Moscow, were also purchased.

Resources segment

In the fourth quarter of the 2018 financial year, BAUER RESOURCES SPAIN S.A. was de-consolidated due to cessation of business operations. The deconsolidation did not have a significant impact on the net assets, financial situation and earnings position of the BAUER Group. As a result, disclosures in accordance IFRS 10 and IAS 7 were not made. BAUER Immobilien Verwaltungs GmbH was also acquired and renamed as ESAU & HUEBER GmbH in the fourth quarter.

‘Other’ segment

In fiscal 2018, there were no changes in the ‘Other’ segment.

3. CONSOLIDATION POLICIES

The assets and liabilities of the German and foreign companies included in the consolidated financial statements are stated according to the uniform accounting policies 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.

Non-controlling interests are a part of earnings and net assets which is not allocable to the Group. Earnings pertaining to these interests are therefore recognized separately from the share in earnings allocable to the shareholders of the parent company in the income statement. In the balance sheet, these earnings are recognized in equity, separately from the equity allocable to the shareholders of the parent company. The acquisition of non-controlling interests and changes to the shareholding of the parent company in a subsidiary which do not lead to a loss of control are reported as equity transactions in the balance sheet.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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. Assumptions and estimates are primarily used for determining the useful life of fixed assets, discounted cash flows during impairment tests, and assessing the feasibility of deferred tax assets, recoverability of receivables and the recognition of provisions for legal proceedings, pensions and other benefit commitments, taxes, warranties and guaranties. The actual values may differ from the estimates made.

5. PRINCIPLE ACCOUNTING POLICIES

5.1. Changes in accounting policies

It was obligatory to apply the following standards and interpretations for the first time in the financial year:

IFRS 9 “Financial Instruments”

IFRS 9 “Financial Instruments” was published in its final version by the IASB in July 2014 and replaces the regulations of IAS 39, the classification and evaluation of financial instruments, the impairment of financial assets and the balancing of hedge accounting. The obligation to apply is valid for the reporting periods beginning on January 1, 2018.

In the initial recording, financial assets are to be classified in the valuation categories “Amortized Cost,” “Fair Value through Profit or Loss (FVTPL)” and “Fair Value through Other Comprehensive Income” (FVOCI). The classification is performed depending on the respective underlying business model and the payment flow condition, i.e. the concrete design of the contractually agreed cash flows of the financial asset to be evaluated. Impacts from this result in the envisaged receivables from a sale that are sold to a bank as part of forfeitures. These receivables meet the requirements for the business model “Sale” and must therefore be assigned to the category “Fair Value through Profit or Loss.” As sales are only carried out to a limited extent, the changeover effect is to be considered insignificant. All further debt instruments are still measured at amortized cost.
Furthermore, participations representing equity instruments as per IAS 32 are generally to be recognized in net income at fair value. There is an irrevocable option to record changes to the fair value through other comprehensive income. The BAUER Group exercises this option. The first-time adoption had no effects in this respect.

The recording of depreciation is no longer based solely on any losses incurred (Incurred loss model), but also on expected losses (Expected loss model). In order to determine the scope of the risk provision strategy, a three-stage model is envisaged, according to which from the initial statement generally 12-month expected losses and in case of significant credit risk deterioration the expected total losses are to be recorded. In order to illustrate the expected losses on trade receivables and on the contract assets recorded in accordance with IFRS 15, a simplified procedure is permitted, whereby the expected credit losses over the contract period can be determined by referring to what is known as a “Provision Matrix” that relies on historical failures and future-oriented estimations.
At the time of the adoption of IFRS 9, we used the simplified approach for trade receivables and contract assets in accordance with IFRS 15. This resulted in impairment gains of EUR 4,102 thousand (after deferred taxes), which were recognized with no effect on profit and loss in the revenue reserves.

With regard to hedge accounting, IFRS 9 includes regulations that pursue a stronger orientation on the company’s economic risk management. The currency futures and interest swaps existing as of December 31, 2017 meet the requirements of IFRS 9 for cash flow hedges. The risk management strategies and hedging documentation are also coordinated with the new regulations. Therefore this hedge accounting can also be continued under IFRS 9.
In the foreign exchange forward contracts newly concluded in 2018, the BAUER Group designates only the cash component of the change of the fair value as a component of the cash flow hedge. The changes to the fair value occurring on the forward component and cross-currency basis spread (CCBS) component of the fair value are recorded in the other result in the reserve for hedging costs.

The BAUER Group applies the modified retrospective method when implementing IFRS 9 as of January 1, 2018. Accordingly, the reassignments and adjustments resulting from the new regulations are recorded in the opening balance sheet as of January 1, 2018. An adjustment of the comparative figures for the previous year is not carried out.

The following table represents a reconciliation of the financial assets and liabilities of the evaluation categories of IAS 39 concerning the evaluation categories in accordance with IFRS 9 as of December 31, 2017 / January 1, 2018:

Assets in EUR '000	Evaluation category in accordance with IAS 39	Carrying amount as of Dec. 31, 2017	Evaluation category in accordance with IFRS 9	Carrying amount as of Jan. 1, 2018
Participations	Available for sale	11,733	Fair value through OCI (without recycling)	11,733
Other non-current financial assets	Loans and receivables	10,980	Amortized cost	10,980
	n/a *	3,276	n/a *	3,276
	n/a *	133	n/a *	133
Non-current financial assets				
Trade receivables	Loans and receivables	317,488	Amortized cost	304,838
			Fair value through Profit or Loss	8,871
Receivables from enterprises in which the company has participating interests	Loans and receivables	4,175	Amortized cost	4,175
Other current financial assets	Financial assets and liabilities held for trading	897	Fair value through Profit or Loss	897
	Loans and receivables	8,660	Amortized cost	8,594
	n/a *	2,769	n/a *	2,769
Cash and cash equivalents	Loans and receivables	47,266	Amortized cost	47,266
Current financial assets				

* The shares in non-consolidated companies included in the other non-current financial assets (EUR 3,276 thousand) were not included during the assignment to the listed categories because neither IAS 39 nor IFRS 9 is applied for these financial assets. The same is true of the derivatives in the other non-current and current other financial assets and other non-current and other current liabilities included in the hedge accounting

Equity and liabilities in EUR '000	Evaluation category in accordance with IAS 39	Carrying amount as of Dec. 31, 2017	Evaluation category in accordance with IFRS 9	Carrying amount as of Jan. 1, 2018
Liabilities to banks	Other financial liabilities	155,621	Amortized cost	155,621
Other non-current financial liabilities	Financial assets and liabilities held for trading	3,588	Fair value through Profit or Loss	3,588
	Other financial liabilities	775	Amortized cost	775
	n/a *	55	n/a *	55
Non-current financial liabilities				
Liabilities to banks	Other financial liabilities	429,589	Amortized cost	429,589
Trade payables	Other financial liabilities	233,519	Amortized cost	233,519
Liabilities to enterprises in which the company has participating interests	Other financial liabilities	690	Amortized cost	690
Other current financial liabilities	Financial assets and liabilities held for trading	285	Fair value through Profit or Loss	285
	Other financial liabilities	16,303	Amortized cost	16,303
	n/a *	64	n/a *	64
Current financial liabilities				

* The shares in non-consolidated companies included in the other non-current financial assets (EUR 3,276 thousand) were not included during the assignment to the listed categories because neither IAS 39 nor IFRS 9 is applied for these financial assets. The same is true of the derivatives in the other non-current and current other financial assets and other non-current and other current liabilities included in the hedge accounting

The table below shows the effects on the reconciliation of financial assets according to valuation categories as of January 1, 2018:

Financial assets in EUR '000	Amortized Cost (2017: Loans and receivables)	Fair Value through OCI (2017: Available for Sale) (with recycling)	Fair Value through OCI (without recycling)	Fair Value through Profit or Loss
Dec. 31, 2017 (as reported) – IAS 39	**388,569**	**11,733** [1]	**0**	**897**
Reassignment of the participations from "Available for Sale" into "Fair Value through OCI (without recycling)" and "Fair Value through Profit or Loss"	0	-11,733	11,733	0
Reassignment of the forfeited receivables from "Amortized Cost" into "Fair Value through Profit or Loss"	-8,871	0	0	8,871
Jan. 1, 2018 – IFRS 9 before revaluation effects	**379,698**	**0**	**11,733**	**9,768**
Revaluation effects [2]	-3,845	0	0	0
Jan. 1, 2018 (adjusted) – IFRS 9	**375,853**	**0**	**11,733**	**9,768**

1) In deviation from the assets classified as Available for Sale in the annual report for the year ended December 31, 2017, the shares in non-consolidated companies (EUR 3,276 thousand) are not included in the reconciliation shown here, because different valuation rules apply for these.
2) The revaluation effects include the adjustments from the retrospective application of the expected loss model.

The reconciliation shown contains first-time adoption effects before deferred taxes.

The impairment for trade receivables, contract assets and debt instruments recognized as continued acquisition costs as of December 31, 2017 are transferred to the opening balance of the valuation allowance as of January 1, 2018 as follows:

in EUR '000	Trade receivables	Contract assets	Debt instruments recognized at amortized cost
Dec. 31, 2017 (as reported) – IAS 39 *	**-21,373**	**0**	**0**
Amounts adjusted retroactively via the opening balance of the revenue reserves	-3,779	-1,858	-66
Jan. 1, 2018 (adjusted) – IFRS 9	**-25,152**	**-1,858**	**-66**

* Previous year adjusted; the industry-typical valuation allowances for change order receivables included in the valuation allowances for trade receivables have been deducted.

IFRS 15 "Revenue from Contracts with Customers"

In May 2014 the IASB published the standard IFRS 15 – "Revenue from Contracts with Customers." The standard stipulates a consistent, principle-based, five-stage model for revenue determination and recording that is to be applied to contracts with customers and contains as a core principle that revenue must be recorded from the time at which the power of disposition over the goods or services is transferred to the customer. It replaces in particular standards IAS 11 and IAS 18 as well as the regulations contained in various interpretations.

The first-time adoptions of IFRS 15 resulted in the following effects on the representation in the consolidated financial statements:

If one of the contractual parties has fulfilled a contractual obligation, the company must report the contract in accordance with IFRS 15 in the balance sheet as a contract asset or contract liability. A contract asset is the claim to the receipt of a consideration in exchange for goods or services that are transferred to a customer. A contract liability is the obligation to transfer goods or services to a customer for which a consideration is received (or is still to be received) from the customer. For this the positions “Contract assets” and “Contract liabilities” have been newly included in the balance sheet. As a result, in the future the former balance-sheet positions “Receivables from construction contracts (PoC)” and “Liabilities from construction contracts (PoC)” will be omitted. Insofar as the BAUER Group meets its obligations from contracts with customers before the respective contractual partner pays a consideration or this consideration is due, the BAUER Group will no longer record this contractual claim (minus all amounts recorded as trade receivables) as “Receivables from construction contracts (PoC)”, but as “Contract asset”.

If a company pays a consideration or if before the transfer of a good or the rendering of a service to the customer the BAUER Group has an unconditional claim to a certain consideration (i.e. a receivable), the BAUER Group must record the contract as a contract liability if the payment has been made or is due (depending on which of the two occurs first). This means that in the future the BAUER Group will no longer record advances received under the balance sheet items “Liabilities from construction contracts (PoC)” but rather under “Contract liabilities.”

In accordance with the regulations of IAS 11.22 in connection with 11.34 and 11.36, an expected loss from construction contracts was to be recognized immediately in net income. In accordance with IAS 37.69, previously an impairment of the respective position on the assets side was to be carried out before a separate provision for an onerous contract was to be created. In accordance with IFRS 15.107, from the financial year 2018 the impairment of a contract asset is evaluated according to the regulations of IFRS 9. After that there is no impairment of a contract asset from onerous contracts as long as no default of contractually agreed payments is expected. For expected losses from onerous contracts that are not attributable to the default of contractually agreed payments, provisions must be created in the amount of the expected unavoidable costs in accordance with IAS 37.68. This did not affect the consolidated financial statements of the BAUER Group.

Furthermore, contractual changes may affect the balance-sheet recording of effects (e.g. from supplements or claims). These affect in particular their valuation, e.g. the amount with which these must be included in the order amount to determine the period-based realization of revenues. Here IFRS 15 demands a higher degree of certainty than was the case under the previous regulations of IAS 11. In accordance with IFRS 15.56, such a consideration may only be included in the transaction price in whole or in part if it is highly likely that a significant cancellation will not occur in the recorded cumulative revenues as soon as there is no longer uncertainty in connection with this consideration.

In the ongoing civil engineering business, excluding some insignificant exceptions, all the requirements for a period-based realization of revenues in accordance with IFRS 15 were met.

In the BAUER Group there were no significant effects on the required adjustments as of January 1, 2018.

The BAUER Group applies the modified retrospective method when implementing IFRS 15 as of January 1, 2018. Accordingly, the reassignments and adjustments resulting from the new regulations are recorded in the opening balance sheet as of January 1, 2018. An adjustment of the comparative figures for the previous year is not carried out.

Effects on the financial statement

As explained in the figures above, IFRS 9 and IFRS 15 were generally applied for the first time without respective adjustment of the comparative figures.

The following tables show the adjustments that were recorded for each individual item:

Assets in EUR '000	Dec. 31, 2017 as reported	IFRS 9 and IFRS 15	Jan. 1, 2018 adjusted retroactively
Intangible assets	21,021		21,021
Property, plant and equipment	407,429		407,429
Investments accounted for using the equity method	121,315		121,315
Participations	11,733		11,733
Deferred tax assets	45,607	1,601	47,208
Other non-current assets	7,653		7,653
Other non-current financial assets	14,389		14,389
Non-current assets	**629,147**	**1,601**	**630,748**
Inventories	430,606		430,606
Less advances received for inventories	-13,883		-13,883
	416,723		416,723
Receivables from construction contracts (PoC)	148,203	-148,203	0
Contract assets	0	146,345	146,345
Trade receivables	317,488	-3,779	313,709
Receivables from enterprises in which the company has participating interests	4,175		4,175
Payments on account	4,726		4,726
Other current assets	33,673		33,673
Other current financial assets	12,326	-66	12,260
Effective income tax refund claims	3,976		3,976
Cash and cash equivalents	47,266		47,266
Current assets	**988,556**	**-5,703**	**982,853**
	1,617,703	**-4,102**	**1,613,601**

Equity and liabilities in EUR '000	Dec. 31, 2017 as reported	IFRS 9 and IFRS 15	Jan. 1, 2018 adjusted retroactively
Equity of BAUER AG shareholders	**415,483**	**-4,102**	**411,381**
Non-controlling interests	3,249		3,249
Shareholders' Equity	**418,732**	**-4,102**	**414,630**
Liabilities to banks	155,621		155,621
Liabilities from finance lease agreements	20,356		20,356
Provisions for pensions	126,332		126,332
Other non-current liabilities	6,883		6,883
Other non-current financial liabilities	4,418		4,418
Deferred tax liabilities	20,789		20,789
Non-current debt	**334,399**		**334,399**
Liabilities to banks	429,589		429,589
Liabilities from finance lease agreements	14,324		14,324
Liabilities from construction contracts (PoC)	51,083	-51,083	0
Contract liabilities	0	51,083	51,083
Trade payables	233,519		233,519
Liabilities to enterprises in which the company has participating interests	690		690
Other current liabilities	79,706		79,706
Other current financial liabilities	16,652		16,652
Effective income tax obligations	16,202		16,202
Provisions	22,807		22,807
Current debt	**864,572**		**864,572**
	1,617,703	**-4,102**	**1,613,601**

Amendments to IFRS 2 "Share-based payment" – Classification and measurement of share-based payment
The amendments to IFRS 2 provide clarification in the following three areas:
- Measurement of cash-settled share-based payment transactions
- Classification of share-based payment awards settled net of tax withholdings
- Modification of a share-based payment transaction from cash-settled to equity-settled

The directive on the adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on February 27, 2018.

Amendments to IFRS 4 "Insurance Contracts"
Until the new standard for accounting for insurance contracts (IFRS 17) comes into force, the amendment of IFRS 4 offers two options – the so-called Deferral Approach and Overlay Approach – which can be applied voluntarily to avoid consequences resulting from the time gap between IFRS 9 and IFRS 17. Companies making use of the one of these options must meet additional disclosure obligations.

The directive on the adoption of the amendments by the EU ("endorsement") was published, with simplifications for financial conglomerates, in the Official Journal of the EU on November 9, 2017.

Annual improvements to IFRS, cycle 2014 – 2016
As part of the process of making small improvements to standards and interpretations, the published "Annual improvements to IFRS, cycle 2014 – 2016" apply to the following standards:
- IAS 28 "Investments in Associates and Joint Ventures"
- IFRS 1 "First-time Adoption of International Financial Reporting Standards"
- IFRS 12 "Disclosure of Interests in Other Entities"

The directive on the adoption of the regulations by the EU (endorsement) was published in the Official Journal of the EU on February 8, 2018.

Amendments to IAS 40 "Investment Property"
Here the IASB clarifies that transfers to or from investment properties should only be made when there has been a change in use of the property. This change in use must be evident and verifiable.

The directive on the adoption of the amendments by the EU (endorsement) was published in the Official Journal of the EU on March 15, 2018.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration"
In the interpretation, the IFRS IC clarifies that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset or liability arising from the advance consideration.

The directive on the adoption of the regulations by the EU (endorsement) was published in the Official Journal of the EU on April 3, 2018.

Moreover, the IASB and the IFRIC have adopted further standards, interpretations and amendments, as listed below, some of which were not yet binding, or had not yet been recognized by the EU, in financial year 2018. The BAUER Group had not implemented early application of these standards by December 31, 2018.

We plan to adopt these standards as soon as they are recognized and adopted by the EU.

Standard/Interpretation/Amendment	To be applied as of financial year	Adopted by the EU
IFRIC 23, Uncertainty over Income Tax Treatments	2019	Yes
IFRS 16, Leasing relationships	2019	Yes
Amendments to IAS 28, Investments in Associates and Joint Ventures	2019	Yes
Annual improvements to IFRS, cycle 2015 – 2017	2019	Yes
Amendments to IAS 19, Employee Benefits	2019	Yes
Amendments to IFRS 3, Business Combinations	2019	No
IFRS 17, insurance contracts	2021	No

IFRS 16 will replace IAS 17 – Leases, IFRIC 4 – Establishing if an agreement contains a leasing relationship, SIC 15 – Operating leasing relationships – Incentives as well as SIC 27 – Assessment of the profitability of transactions in the legal form of leasing relationships. The new standard does not undertake any classification in finance and operating leasing relationships for lessees, instead basically all leasing relationships are included in the balance sheet in the form of usage rights and leasing liabilities. The only exceptions are short-term (12 months or less) and low-value leases. Lease payments are discounted at the interest rate implicit in the lease if that can be readily determined. Otherwise, the lessee shall use their incremental borrowing rate. There will be no major changes to lessor accounting compared to IAS 17. In contrast to IAS 17, IFRS 16 stipulates more extensive details on the appendices.
To determine the effects of the first-time adoption of IFRS 16, Leases, a project team was formed within the BAUER Group that reviewed all of the Group's leases last year in accordance with the new accounting rules for leases under IFRS 16. A leasing software application was purchased for the management, classification and valuation of the Group-wide leasing contracts. The standard will primarily affect the accounting for the Group's operating leases.

The BAUER Group expects that leasing liabilities and associated deferred taxes as reported up to January 1, 2019 will increase by EUR 15,000 to 25,000 thousand and EUR 4,000 to 5,000 thousand respectively as a result of the first-time adoption of IFRS 16.

The cash flow from operating activities and the cash flow from financing activities will also change because the repayment of the principal amount of the leasing liabilities is classified as cash flow from financing activities.
The EBITDA will increase by EUR 4,000 to EUR 6,000 thousand, because of rental and leasing expenses for operating leasing contracts that were recognized as Other operating expenses under IAS 17.
Under IFRS 16 as in the case of finance lease contracts, the expenses are recognized as depreciation and amortization and financial expenses. We expect that Earnings after tax will be influenced only insignificantly.
The BAUER Group plans to adopt IFRS 16 using the modified retrospective method, with the effect of initially applying this standard recognized at the date of January 1, 2019. As result, the BAUER Group will apply the requirements of IFRS 16 to the financial year ending December 31, 2019.

BAUER AG does not expect any of the other standards to have any material impact on the consolidated financial statements.

5.2. Significant accounting policies

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 resulting differences from the currency translation are recorded as other income and recognized cumulatively in the provision for currency translation losses stated under equity until the foreign operations are sold.

The following table shows the exchange rates applied for the currency conversion:

1 EUR corresponds to		Annual average		Balance sheet date value	
		2017	2018	2017	2018
Egypt	EGP	20.413	21.03629	21.3591	20.477
Argentina	ARS	19.2041	32.98672	22.9391	43.0464
Australia	AUD	1.4812	1.57967	1.5378	1.622
Bulgaria	BGL	1.9560	1.95559	1.9558	1.9558
Chile	CLP	737.7068	757.05286	738.633	793.45
China	CNY	7.6715	7.80807	7.8216	7.8751
Georgia	GEL	2.8605	2.98987	3.113	3.0692
Ghana	GHS	5.0321	5.51905	5.4488	5.5258
Great Britain	GBP	0.8753	0.8847	0.8883	0.89453
Hong Kong	HKD	8.8823	9.25593	9.3867	8.9675
India	INR	73.9390	80.73323	76.7139	79.7298
Indonesia	IDR	15,266.2834	16,803.22235	16,297.57	16,500
Japan	JPY	127.4100	130.39588	135.2146	125.85
Jordan	JOD	0.8078	0.83788	0.8533	0.8113
Canada	CAD	1.4763	1.52936	1.5071	1.5605
Qatar	QAR	4.1876	4.19155	4.3987	4.1698
Lebanon	LBP	1,719.9553	1,787.07882	1,820.7160	1,727.2
Malaysia	MYR	4.8697	4.76336	4.8604	4.7317
Morocco	MAD	10.9895	11.08154	11.2239	10.94
Mexico	MXP	21.4839	22.70542	23.5528	22.4921
New Zealand	NZD	1.6002	1.70645	1.6913	1.7056
Oman	OMR	0.4386	0.45459	0.4624	0.44016
Panama	PAB	1.1393	1.18095	1.2010	1.1453
Peru	PEN	3.7048	3.82819	3.8906	3.8704
Philippines	PHP	57.41300	62.21013	59.9851	60.113
Poland	PLN	4.2463	4.26149	4.1786	4.3014
Romania	RON	4.5757	4.65401	4.6647	4.6635
Russia	RUB	66.2766	74.04159	69.1006	79.7153
Saudi Arabia	SAR	4.2725	4.42854	4.5041	4.2885
Sweden	SEK	9.6461	10.25825	9.8196	10.2548
Switzerland	CHF	1.1162	1.15495	1.1705	1.1269
Singapore	SGD	1.5637	1.59261	1.6051	1.5591
South Africa	ZAR	15.1410	15.61856	14.8626	16.4594
Taiwan	TWD	34.5205	35.59397	35.7502	35.027
Thailand	THB	38.4341	38.16436	39.1526	37.052
Turkey	TRY	4.1513	5.70766	4.5493	6.0588
Hungary	HUF	309.4514	318.88968	310.2964	320.98
United Arab Emirates	AED	4.1845	4.33698	4.4119	4.1995
United States of America	USD	1.1393	1.18095	1.2010	1.145
Vietnam	VND	25,882.4171	27,185.04313	27,269.9060	26,564

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 undergoes an annual impairment test is recognized at cost less accumulated write-downs. Write-ups are impermissible. Gains and losses from the sale of a company comprise the carrying amount of goodwill allocated to the company to be disposed of.

Assets subject to scheduled depreciation or amortization are tested for impairment if any events or changes of circumstances indicate that the carrying amount may no longer be achievable.

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
- Evidence of how the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources 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 manufacturing cost 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 Useful life
Land	Unlimited
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 debt”. Each lease installment 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 installment 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. No borrowing costs were capitalized in the financial and previous year. 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."

Investments accounted for using the equity method

<u>Associated companies</u>

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%.

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 shares in the other comprehensive income of the associated company are also reported proportionally in the Group's other income, broken down by amounts reclassified to the income statement in a later period and amounts that are not reclassified. 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.
In the event of indicators that would suggest a potential impairment, an impairment test in accordance with IAS 36 is carried out on the total equity carrying amount. If the achievable amount drops below the carrying amount of an at-equity balanced financial asset, an impairment in the amount of the difference is carried out. Subsequent revaluations are recognized in the income statement.

Joint ventures

Joint ventures are joint arrangements in which the parties exercise joint control and have claims to the net assets of the arrangement. The contractually agreed joint control of the arrangement jointly manages the venture. This is only the case if decisions regarding the material activities require the unanimous approval of the parties involved in the joint control. Joint arrangements recognized at equity include joint ventures as well as the Arbeitsgemeinschaften ("ARGE") consortia specific to Germany, with there being a difference between ARGE consortia and umbrella ARGE consortia. Both consortia are subject to the regulations of IFRS 11.

Assets are provided for and invoiced to ARGE provision consortia in the form of employees, material or equipment. The earnings generated by the consortia are recognized in the balance sheet using the equity method, in accordance with IAS 28. They are recognized in the balance sheet as investments accounted for using the equity method and as income from investments accounted for using the equity method in the income statement.

An umbrella consortium, on the other hand, is always recognized without any effect on profit and loss. The compensation claims between umbrella consortium and customer are identical to the compensation claims between the individual consortia and the umbrella consortium. The umbrella consortium transfers all payments received from the customer in full to the individual consortia. BAUER as a partner in an umbrella consortium 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.

Ongoing settlements from and to consortia are recognized in trade receivables and trade payables.

Joint operations

Joint operations are joint arrangements in which the parties assume joint control and hold rights in the assets as well as obligations with regard to the liabilities of the arrangement. The contractually agreed joint control of the arrangement jointly manages the venture. This is only the case if decisions regarding the material activities require the unanimous approval of the parties involved in the joint control.

Any operations performed by the BAUER Group as part of a joint operation relating to its share in the joint operation are recognized in the following items:
- Its assets, including its share in jointly held assets
- Its liabilities, including its share in jointly incurred liabilities
- Its income from the sale of its share in the products of the joint operation
- Its share in income from the sale of products or services by the joint operation, and
- Its expenses, including its share in any jointly incurred expenses

For transactions such as the acquisition of assets by a Group company, gains and losses are recognized in the amount of the Group share of other joint operations only once the assets are sold to third parties.

Financial instruments

Financial instruments are contracts resulting in a financial asset for one company and a financial liability (or equity instrument) for another.

Under IFRS 9, financial assets are classified and measured as debt instruments, equity instruments in the sense of IAS 32, and derivatives.

a) Primary financial instruments

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

- Amortized cost (AC)
- Fair Value through Profit or Loss (FVTPL)
- Debt instruments measured at fair value through other comprehensive income (FVOCI), whereby the cumulative gains and losses are reclassified to the consolidated statement of profit and loss when the financial asset is disposed of (so-called recycling)
- Equity instruments measured at fair value through other comprehensive income (FVOCI), whereby gains and losses remain in other comprehensive income (without recycling)

The fair value option for financial assets or financial liabilities under IFRS 9 was not exercised.

As a general rule, items are first recorded when the BAUER Group becomes a contractual party. When accounting for regular sales or purchases for the first time, the settlement date is relevant, i.e. the date on which the asset or liability is transferred to or by the BAUER Group. Financial assets and liabilities are initially recognized at fair value. The subsequent measurement of financial assets depends on the classification on the categories in accordance with the requirements of the IFRS 9 and takes place either under amortized procurement costs or at the fair value. Financial liabilities, with the exception of derivatives, generally fall into the category of
amortized costs.

Financial assets representing debt instruments within the meaning of IAS 32 are classified into the measurement categories of amortized cost (AC), fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI) (with recycling) based on the underlying business model and the cash flow conditions of the financial asset being assessed. Financial assets are measured at amortized cost if they are held to collect contractual cash flows and these contractual cash flows are only the payments of outstanding interest and principal. Debt instruments that meet the cash flow conditions but are held within a business model that provides for both the collection of contractual cash flows and the disposal of financial assets are measured at fair value through other comprehensive income.

Financial assets and financial liabilities measured at amortized cost are initially recognized at fair value, including transaction costs directly attributable to the acquisition of the financial asset or issue of the financial liability, and subsequently measured at amortized cost using the effective interest 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 impairment or plus value recovery adjustment.

For financial assets classified as "fair value through other comprehensive income," (with recycling) the transaction costs directly attributable to the acquisition are also recognized. However, changes in the carrying amount are recognized in other comprehensive income, with the exception of impairment gains or expenses recognized in profit or loss. The cumulative gains and losses previously recognized in equity are not reclassified from fair value to profit or loss until the financial assets are disposed of. No financial assets measured at FVOCI, which are also debt instruments, were recognized in the past financial year.

Financial assets (debt instruments) that do not meet the criteria of amortized cost or fair value through other comprehensive income are classified as fair value through profit or loss. Gains or losses on a debt instrument subsequently measured at FVTPL are recognized in profit or loss in the period in which they arise.

Cash and cash equivalents include bank balances and cash in hand and are measured at amortized cost because they are held within the business model with the aim of collecting the contractual cash flows and these contractual cash flows are only the payments of interest and principal. Cash and cash equivalents are also subject to the impairment provisions of IFRS 9, however, for reasons of immateriality, no valuation allowances are recorded.

At initial recognition, trade receivables are recorded at the transaction price. If they contain significant financing components, they are recognized at fair value. The BAUER Group holds trade receivables in order to collect contractual cash flows exclusively comprising payments of outstanding interest and principal, and subsequently measures them at amortized cost less valuation allowances. For receivables designated for a sale, the criteria for the business model "Sale" are present due to the factoring agreements and they are therefore to be assigned to the measurement category FVTPL. No impairments are to be recorded for these receivables as per IFRS 9.

As a general rule, financial assets representing equity instruments as per IAS 32 are generally to be classified as fair value through profit or loss and recognized in net income. At the same time, when equity instruments held are initially categorized, there is an irrevocable option to recognize changes to the fair value in other income with no effect on profit or loss. The BAUER Group exercises this option for participations affected by this because the recognition of income and losses from fair value changes in the income statement has no significance in terms of the development of the participations. Once the participation is derecognized, the amounts recognized in other comprehensive income are not subsequently reclassified to profit and loss. Dividends continue to be recognized in profit or loss unless the dividend is clearly a reimbursement of part of the cost of the equity instrument.

Impairments are recognized based on losses incurred as well as estimates of expected credit losses (expected loss model). Here, in line with IFRS 9, impairments for expected credit losses are recorded for all financial assets valued at amortized cost and for debt instruments valued at fair value through other comprehensive income. In order to determine the scope of the risk provision strategy, a three-stage model is envisaged as a general rule. Risk provision is either formed on the basis of expected 12-month credit losses (stage 1) or on the basis of credit losses expected over the contract period if the credit risk has worsened considerably since the initial statement (stage 2) or if impaired creditworthiness is established (stage 3). For trade receivables and for contract assets recorded as per IFRS 15, the simplified approach is used, which accounts for credit losses expected over the contract period as impairment.

To determine the expected credit losses and individual valuation allowances for financial assets with impaired creditworthiness, the BAUER Group uses internal credit assessments and external ratings. In the event of relevant circumstances specific to a certain case, individual and macroeconomic factors are also considered when determining the extent of the valuation allowances. A significant credit risk deterioration of the counterparty is assumed when its rating has fallen by a set number of grades. 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 customers. Application of the arrears assumption of 30 days has no bearing in the industry due to, among other things, limitations in acknowledgment of performance.

The expected credit losses in relation to trade receivables and contract assets are measured using a “Provision Matrix,” which is based on historic defaults and future estimates. In light of the fact that the BAUER Group’s business activities are categorized into three different segments, Construction, Equipment and Resources, and the customer structure is therefore so diverse, trade receivables are summarized per segment and expected credit losses are calculated per portfolio for each segment.

An individual valuation allowance for financial assets with impaired creditworthiness is recognized when there are objective signs, such as missed payments or insolvencies. Default of a financial asset is determined based on an individual assessment according to which it cannot be reasonably assumed that the receivable is realizable in full or in part. If repayment cannot be reasonably expected, the financial asset is depreciated. When financial assets are depreciated, the BAUER Group continues to take enforcement measures in an attempt to recover the overdue receivables.

Financial assets are derecognized if the rights to payments from the financial assets have expired or been transferred, and the Group has essentially transferred all risks and opportunities associated with ownership, or the essential opportunities and risks have neither been transferred nor retained, but right of disposal has been transferred. Financial liabilities are derecognized when they have been paid or the obligation has been extinguished.

Financial assets and liabilities are not offset unless the amounts can be legally settled at the current point in time and there is an intention to actually offset the assets.

b) Derivative financial instruments

A derivative is a financial instrument or contract within the area of applicability of IFRS 9, which cumulatively meets the following criteria:

- 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;
- which is settled at a later date.

In the BAUER Group, derivative financial instruments (interest rate swaps, interest rate caps 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 BAUER Group, free-standing derivative financial instruments are assigned as financial assets to the following category:

- Fair Value through Profit or Loss (FVTPL)

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

- Fair Value through Profit or Loss (FVTPL)

In the case of financial assets or liabilities recognized at fair value through profit or loss, the initial fair-value valuation excludes the transaction costs, which must be recognized as expenditure in the income statement immediately. Items are initially recorded on the trading date. Value changes of derivatives that are not part of a cash flow hedge are considered with no impact on profit or loss under financial expenditure or earnings.

The free-standing derivative financial instruments in the “fair value through profit or loss” category include interest rate swaps, interest rate caps and foreign exchange forward contracts not included in hedge accounting or not meeting the hedge accounting conditions.

In the case of derivatives included in hedge accounting, when hedging the risk of fluctuations in future cash flows (cash flow hedges) the effective portion of the gain or loss from a hedging instrument is initially recognized in the equity, taking into account deferred taxes, and is only recognized in the income statement when the underlying hedged transaction is realized. With regard to foreign exchange risk hedging, the BAUER Group designates only the cash component of the change of the fair value of the hedging transaction as a component of the cash flow hedge. The changes to the fair value occurring on the forward component and cross-currency basis spread (CCBS) component are included under other income in the reserve for hedging costs. The ineffective portion of the hedging transaction is recognized in the income statement immediately. The derivative financial instruments are stated at their fair values as assets or liabilities. In the 2018 financial year, hedge accounting was used for cash flow hedges.

The market values of the derivatives are calculated on the basis of the conditions prevailing at the balance sheet date, such as interest or exchange rates, and applying recognized models, such as discount cash flow or option price models. 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.

Inventories and advances received

Inventories of finished goods and work in progress as well as stock for trade and raw materials and supplies, are measured at acquisition cost or manufacturing cost or at the lower net realizable value on the balance sheet date, in accordance with IAS 2. Down payments received for orders that do not represent construction contracts are listed as assets and openly deducted from inventories, provided manufacturing costs have already been incurred for the corresponding contract. All other down payments received are listed under Equity and Liabilities. 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 manufacturing cost 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

Customer-specific construction contracts are recognized according to the percentage of completion. The work performed, including the pro-rata share of income, is mainly shown under revenue on a period-by-period basis and according to the percentage of completion. The method that most reliably measures the services provided is used to determine the progress of a project. Both input- and output-based methods can be consistently applied to similar contractual obligations and similar circumstances. The BAUER Group mainly uses input-based methods (for example, cost-to-cost method of profit recognition according to the stage of completion), in particular for the determination of revenues from construction contracts. The contracts are reported under contract assets or contract liabilities. Construction contracts are recognized as assets under contract assets if the cumulative work performed (contract costs and contract profit/loss) exceeds the advance payments in certain cases. If a negative balance remains after payments on account are deducted, it is recognized as a liability under contract liabilities. Partial services already invoiced are reported under trade receivables. Expected contract losses are taken into account on the basis of recognizable risks and immediately included in full in the contract income. Contract revenues and contract modifications, meaning contract amendments and change orders, are recognized as contract revenue in accordance with IFRS 15. Contract assets are recognized within one business cycle of the BAUER Group. Therefore, in accordance with IAS 1, they are reported under current assets, even if the entire receivable is realized over a period of more than one year.

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 refund. 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 equity or in the other comprehensive income. In this case, the taxes are likewise recognized in the equity or in the other comprehensive income.

In Germany, income taxes and deferred taxes are stated on the basis of corporation tax, the “solidarity surcharge” and trade tax, in a range of 28.08% to 32.14% (previous year: 28.08% and 32.14%). Outside Germany, income tax rates of between 0.00% and 38.15% are applied (previous year: 0.00% and 38.15%).

Provisions

a) Provisions for pensions

The BAUER Group operates a number of provisions for pensions in Germany and internationally.
Typically, such plans define an amount of pension benefit which employees will receive on retirement and which is normally dependent on one or more factors (such as age, years of service and salary).

The provisions for pensions on the balance sheet corresponds to the cash value of the defined benefit obligation (DBO) at the balance sheet date, less the fair value of the plan assets. The DBO is calculated annually by an independent actuary applying the projected unit credit method. The cash value of the DBO is calculated by discounting the expected future inflow of funds at the interest rate of industrial bonds of the highest credit rating. The industrial bonds are denominated in the currency of the disbursements, and have terms corresponding to the pension commitments. In countries where the market in such bonds is insufficiently developed, government bonds are applied.

Actuarial gains and losses based on experience-related adjustments to actuarial assumptions are recognized in the “Other comprehensive income” in the equity in the period in which they occur. Post-employment expenditure is recognized in staff cost and the interest portion of the addition to provisions in financial expenses.

Under the contribution-based provisions for pensions, the entity concerned makes payments to pension institutions which are stated in the personnel 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

Proceeds from the sale of goods as well as other income other are recorded when a Group company has performed a service and the risk has been transferred to the customer. At the BAUER Group, the transaction price is subject to country-specific payment terms. These are usually 30 days in Germany. Warranty provisions are formed for anticipated warranty obligations. 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 “Financial 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.

6. 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 and liabilities and income statement items of SCHACHTBAU NORDHAUSEN GmbH are assigned to the relevant segments.

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**, construction equipment 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 oil and gas. Equipment for pile driving and ground improvement is also manufactured. The range is supplemented by a wide selection of attachments and ancillary equipment, covering all the processes involved in specialist foundation engineering.

Resources

In the **Resources segment**, the companies of the Group that provide products and services in the water, environmental and mineral deposits sectors. They include environmental technology companies involved in the treatment of ground and groundwater as well as companies involved in exploration 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.

Other

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.

Consolidation

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 earnings after tax reflect the financial income and expenses as well as the net earnings of shares valued at equity and the income tax expense. 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 and property, plant and equipment.

Total Group revenues, consolidated revenues and sales revenues with third parties

The consolidated revenues reflect the performance of all the companies included in the basis 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 joint ventures, 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% 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

SEGMENT REPORT BY BUSINESS SEGMENT	Construction		Equipment	
in EUR '000	2017	2018	2017	2018
Total revenues (Group)	**835,001**	**767,632**	**754,545**	**723,115**
Sales revenues with third parties	783,782	726,265	660,893	640,062
Sales revenues between business segments	15,411	10,356	52,765	52,448
Changes in inventories	19	2,345	-11,206	-540
Other capitalized goods and services for own account	478	907	3,438	3,860
Other income	13,457	11,534	7,395	5,870
Consolidated revenues	**813,147**	**751,407**	**713,285**	**701,700**
Earnings before interest, tax, depreciation and amortization (EBITDA)	**62,273**	**85,723**	**114,642**	**112,472**
Depreciation of fixed assets	-42,643	-46,670	-19,424	-20,024
Write-down of inventories due to use	0	0	-14,644	-17,590
Earnings before interest and tax (EBIT)	**19,630**	**39,053**	**80,574**	**74,858**
Financial income	14,966	14,653	15,623	13,118
Financial expenses	-39,615	-24,675	-31,756	-30,550
Share of the profit or loss of associated companies accounted for using the equity method	963	2,990	-7,084	-6,250
Income tax expense	-11,180	-22,373	-16,407	-17,195
Earnings after tax	**-15,236**	**9,648**	**40,950**	**33,981**
ADDITIONAL INFORMATION ON THE INCOME STATEMENT				
Sales revenues with third parties based at a point in time	0	0	660,893	640,062
Sales revenues with third parties based over time	783,782	726,265	0	0
Impairment losses on fixed assets	-24	-409	-893	-1,164
Major non-cash segment items				
Impairment losses on financial assets	-131	-609	0	-1,783
Impairment losses on inventories	-446	-1,441	-7,820	-25,144
Allocation of value allowances for receivables	-1,582	-12,397	-2,840	-5,315
Reversal of value allowances for receivables	2,296	1,015	2,449	1,495
ADDITIONAL INFORMATION ON THE BALANCE SHEET				
SEGMENT ASSETS DEC. 31	**623,628**	**657,759**	**774,855**	**725,333**
of which shares in companies accounted for using the equity method	6,029	8,616	74,416	59,474
of which capital investments in fixed assets	58,908	74,740	30,848	24,964
SEGMENT LIABILITIES DEC. 31	**518,173**	**528,458**	**470,220**	**444,156**

SEGMENT REPORT BY REGION	Germany		EU (excl. Germany)		Europe (other)	
in EUR '000	2017	2018	2017	2018	2017	2018
Total revenues (Group)	**477,815**	**467,050**	**258,097**	**276,362**	**118,325**	**59,060**
Sales revenues with third parties	427,584	418,122	267,567	266,224	105,527	61,088
Intangible assets Property, plant and equipment, Dec. 31	219,498	216,561	32,985	29,455	17,420	17,299

Resources		Other		Consolidation		Group	
2017	2018	2017	2018	2017	2018	2017	2018
248,209	**261,471**	**55,830**	**87,154**	**-121,535**	**-153,280**	**1,772,050**	**1,686,092**
221,522	221,345	1,664	1,419	0	0	1,667,861	1,589,091
493	1,626	37,693	39,640	-106,362	-104,070	0	0
362	-253	0	0	0	0	-10,825	1,552
825	730	5	0	3,773	3,328	8,519	8,825
2,290	2,533	14,801	43,566	-15,361	-46,035	22,582	17,468
225,492	**225,981**	**54,163**	**84,625**	**-117,950**	**-146,777**	**1,688,137**	**1,616,936**
1,273	**582**	**17,727**	**44,168**	**-13,362**	**-44,329**	**182,553**	**198,616**
-11,296	-11,616	-3,573	-3,667	-1,406	1,010	-78,342	-80,967
0	0	0	0	0	0	-14,644	-17,590
-10,023	**-11,034**	**14,154**	**40,501**	**-14,768**	**-43,319**	**89,567**	**100,059**
2,911	5,487	15,545	13,859	-11,396	-8,913	37,649	38,204
-17,058	-15,992	-13,751	-14,688	11,396	8,913	-90,784	-76,992
4,997	7,854	0	0	0	0	-1,124	4,594
-3,249	-2,306	-1,121	176	314	-80	-31,643	-41,778
-22,422	**-15,991**	**14,827**	**39,848**	**-14,454**	**-43,399**	**3,665**	**24,087**
53,258	54,651	1,664	1,419	0	0	715,815	696,132
168,264	166,694	0	0	0	0	952,046	892,959
0	-1	-125	-49	0	0	-1,042	-1,623
0	0	0	0	0	0	-131	-2,392
-34	-165	0	0	0	0	-8,300	-26,750
-2,410	-6,266	0	0	0	0	-6,832	-23,978
261	870	0	0	0	0	5,006	3,380
258,244	**254,616**	**407,162**	**443,310**	**-446,186**	**-448,734**	**1,617,703**	**1,632,284**
40,870	44,929	0	0	0	0	121,315	113,019
16,045	8,493	2,320	4,571	-654	-2,901	107,467	109,867
222,564	**199,011**	**230,002**	**228,620**	**-241,988**	**-199,777**	**1,198,971**	**1,200,468**

Middle East and Central Asia		Asia-Pacific, Far East and Australia		Americas		Africa		Group	
2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
201,095	**211,418**	**425,949**	**428,095**	**228,120**	**170,808**	**62,649**	**73,299**	**1,772,050**	**1,686,092**
184,356	205,676	426,950	411,896	196,227	154,290	59,650	71,795	1,667,861	1,589,091
43,983	41,113	78,633	89,701	24,109	22,350	11,822	13,169	428,450	429,648

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

7. SALES REVENUES

The sales revenues generated in the amount of EUR 1,589,091 thousand (previous year: 1,667,861 thousand) include revenues based over time, goods and services delivered to consortia as well as revenues from the sale and rental of equipment and accessories.
Revenue from leased equipment and accessories amounted to EUR 21,322 thousand in the financial year (previous year: 18,592 thousand). With regard to the presentation and breakdown of sales revenues by operating segment and region as well as the categorization according to revenues based on time period and those based on point in time, please refer to the notes on segment reporting (see item 6).

Sales revenues provide only an incomplete picture of the performance in the financial year. Figures are therefore transferred to total Group revenues in the following sections:

in EUR '000	2017	2018
Sales revenues	1,667,861	1,589,091
Changes in inventories	-10,825	1,552
Other capitalized goods and services for own account	8,519	8,825
Other income	22,582	17,468
Consolidated revenues	**1,688,137**	**1,616,936**
Subcontractor share in consortia	9,357	19,407
Revenues of associated companies and joint ventures	72,893	49,661
Revenues of non-consolidated companies	22,491	21,124
Intra-group revenues	-20,828	-21,036
Total revenues (Group)	**1,772,050**	**1,686,092**

Sales revenues also include EUR 2,749 thousand in net out-of-period sales (previous year: EUR -15,532 thousand) resulting from final invoice agreements and sales corrections in 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. A revenue correction is applied to these amounts. Should the uncertain amount turn out to be recoverable, the corresponding revenue will be realized.

The following table shows current contractual obligations that have been initiated but not yet fully met as well as the expected revenue to be realized:

in EUR '000	Dec. 31, 2018
Unfulfilled contractual obligations	527,930
Expected realization within 1 year	383,688
Expected realization in 1 to 5 years	144,242
Expected realization after 5 years	0

8. OTHER CAPITALIZED GOODS AND SERVICES FOR OWN ACCOUNT

in EUR '000	2017	2018
Income from other capitalized goods and services for own account	8,519	8,825

9. OTHER INCOME

in EUR '000	2017	2018
Income from disposal of property, plant and equipment	6,306	2,034
Income from insurance refunds	6,430	2,302
Other income from rentals	44	651
Effects from de-consolidation and transitional consolidations	1,314	585
Other operating income	8,488	11,896
Total	**22,582**	**17,468**

Additionally, the other operating income mainly comprises income from benefits in money's worth, other reimbursements of expenditure as well as other income spread across the consolidated companies which is of minor importance in the individual instances.

10. COST OF MATERIALS

in EUR '000	2017	2018
Expenses for raw materials and supplies and purchased goods	558,294	552,906
Expenses for purchased services	361,302	268,590
Total	**919,596**	**821,496**

11. PERSONNEL EXPENSES

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

in EUR '000	2017	2018
Wages and salaries	325,464	333,530
Social security contributions	50,852	52,316
Expenses for retirement benefits	7,214	6,538
Total	**383,530**	**392,384**

The employer's pension contributions in the financial year totaled EUR 22,823 thousand (previous year: EUR 21,854 thousand). These are contribution-based schemes, as explained under 5.2 Significant accounting policies. Of that total, EUR 18,364 thousand (previous year: EUR 17,627 thousand) relate to Germany and EUR 4,459 thousand (previous year: EUR 4,227 thousand) to Group companies outside of Germany. The wages and salaries include severance payments in the amount of EUR 771 thousand (previous year: 2,160 thousand).

12. OTHER OPERATING EXPENSES

in EUR '000	2017	2018
Losses from disposal of property, plant and equipment	1,504	4,126
Rents and leases as well as leasing expenses	33,178	27,859
Energy, heating, water	4,954	4,192
Vehicle costs	5,274	6,366
Property, motor and transport insurance	9,958	9,800
Other operating expenses	22,295	18,028
Administrative expenses	37,364	40,298
Distribution costs	42,405	41,311
Other employee-related expenses	15,240	14,342
Result from impairment of receivables	6,842	6,025
Bank charges	1,829	2,275
Duties	3,636	7,088
Accrued expenses	-1,767	5,411
Additional other operating expenses	19,746	17,319
Total	**202,458**	**204,440**

The "Additional other operating expenses" mainly comprise allocations to and reversal of provisions affecting net income 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. Other operating expenses include income of EUR 17,120 thousand (previous year: EUR 12,038 thousand) resulting from the reversal of provisions, impairment of receivables, derecognition of liabilities and written-off receivables. Income from impairment of receivables includes income from expected credit losses on receivables amounting to EUR 4,183 thousand (previous year: 0).

13. DEPRECIATION AND AMORTIZATION

Depreciation is as follows:

in EUR '000	2017	2018
Amortization of intangible assets	8,589	7,654
Depreciation of property, plant and equipment	69,753	73,313
Total	**78,342**	**80,967**

Impairments of fixed assets are explained under item 20.2, Property, plant and equipment.

14. WRITE-DOWNS OF INVENTORIES DUE TO USE

Write-downs of inventories due to use in the financial year totaled EUR 17,590 thousand (previous year: 14,644 thousand). This related to depreciation of used machinery temporarily rented out to customers as sales promotion measures. Write-downs of used machinery disposed of in the 2018 financial year are included in these figures.

FINANCIAL RESULT

15. FINANCIAL INCOME

The financial income is broken down as follows:

in EUR ’000	2017	2018
Income from operating investments	2,703	1,322
Other interest and similar income	4,240	6,909
Income from changes in fair values of interest rate swaps	3,118	1,540
Profits from foreign currency translation from financing activities	27,588	28,433
Total	**37,649**	**38,204**

16. FINANCIAL EXPENSES

The financial expenses are broken down as follows:

in EUR ’000	2017	2018
Interest and similar expenses	32,727	32,655
Impairment losses on financial assets	131	2,392
Losses from changes in fair values of interest rate swaps	5,380	6,587
Interest portions of allocations to provisions for pensions and similar obligations	2,441	2,599
Losses from foreign currency translation from financing activities	50,105	32,759
Total	**90,784**	**76,992**

The interest from finance leases included under “Interest and similar expenses” in the financial year totaled EUR 1,024 thousand (previous year: 771 thousand). The financial result includes interest income from financial assets in an amount of EUR 6,587 thousand (previous year: EUR 4,187 thousand) and interest expenses from financial liabilities in an amount of EUR 31,369 thousand (previous year: EUR 31,623 thousand) which were not measured at fair value affecting profit and loss. Of the impairment losses on financial assets of EUR 2,392 thousand (previous year: 131 thousand), EUR 609 thousand (previous year: 131 thousand) relates to the Construction segment, EUR 1,783 thousand (previous year: 0) to the Equipment segment and EUR 0 (previous year: 0) to the Resources segment.

17. SHARE OF THE PROFIT OR LOSS OF ASSOCIATED COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

The result from investments accounted for using the equity method in the fiscal year is EUR 4,594 thousand (previous year: EUR -1,124 thousand) and includes the profit and loss shares of associated joint ventures that were evaluated in accordance with the equity method. In the fiscal year, impairment tests of the joint venture BAUER Deep Drilling GmbH required depreciation of EUR 5,005 thousand (previous year: 5,259 thousand) on the recoverable amount to be reported under this item.

18. INCOME TAX EXPENSE

The income tax expense is broken down as follows:

in EUR '000	2017	2018
Actual taxes	36,815	40,102
Deferred taxes	-5,172	1,676
Total	**31,643**	**41,778**

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

Reconciliation from expected to actual income tax expenditure

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

in EUR '000	2017	2018
Earnings before tax (EBT)	35,308	65,865
Theoretical tax expenditure 28.08% (previous year: 28.08%)	9,914	18,495
Differences in tax rate	-640	6,636
Taxation effects of non-deductible expenses and tax-free income	4,799	4,377
Effects of variations in the tax calculation base	6,443	1,238
Valuation of associated companies using the equity method	316	-1,290
Out-of-period tax payments/refunds for previous years	-90	166
Effects of deferred tax assets in respect of losses carried forward and temporary differences	10,877	11,951
Other	24	205
Taxes on income and profit	**31,643**	**41,778**

The tax effects of the non-deductible expenses and tax-free earnings contain effects from transitional and de-consolidations to the amount of EUR -164 thousand (previous year: EUR -369 thousand). The effects of deferred tax assets and temporary differences include a tax expense of EUR 1,893 thousand resulting from a revaluation of BAUER Machinery USA's taxable investment in BAUER Manufacturing LLC.

Internal disbursements result in taxation effects after December 31, 2018 totaling EUR 356 thousand (previous year: 63 thousand).

19. EARNINGS PER SHARE

The earnings per share are calculated by dividing the earnings after tax attributable to the shareholders of BAUER AG by the weighted average number of ordinary shares outstanding. Earnings per share amount to the following values:

	2017	2018
Earnings after tax attributable to the shareholders of BAUER AG, in EUR '000	**2,740**	**22,577**
Number of shares from Jan. 1 to Dec. 31	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	**0.16**	**1.32**
Diluted earnings per share in EUR	**0.16**	**1.32**

EXPLANATORY NOTES TO THE CONSOLIDATED 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

20. FIXED ASSETS

20.1 Intangible assets

in EUR '000			Internally generated intangible assets		
Acquisition or Manufacturing costs	Licenses, software and similar rights and values	Goodwill	Capitalized software costs	Capitalized development costs	Total
Jan. 1, 2017	**37,720**	**2,186**	**40**	**42,668**	**82,614**
Change in basis of consolidation	-1	0	0	0	-1
Additions	1,411	0	0	3,496	4,907
Disposals	1,153	0	40	5,362	6,555
Transfers	0	0	0	0	0
Currency adjustment	-542	0	0	-1	-543
Dec. 31, 2017	**37,435**	**2,186**	**0**	**40,801**	**80,422**

in EUR '000			Internally generated intangible assets		
Accumulated depreciation	Licenses, software and similar rights and values	Goodwill	Capitalized software costs	Capitalized development costs	Total
Jan. 1, 2017	**28,863**	**2,186**	**38**	**25,887**	**56,974**
Change in basis of consolidation	-1	0	0	0	-1
Additions	3,528	0	2	5,059	8,589
Disposals	1,134	0	40	4,551	5,725
Transfers	0	0	0	0	0
Currency adjustment	-436	0	0	0	-436
Dec. 31, 2017	**30,820**	**2,186**	**0**	**26,395**	**59,401**
Carrying amount Dec. 31, 2017	**6,615**	**0**	**0**	**14,406**	**21,021**

in EUR '000			Internally generated intangible assets		
Acquisition or Manufacturing costs	Licenses, software and similar rights and values	Goodwill	Capitalized software costs	Capitalized development costs	Total
Jan. 1, 2018	**37,435**	**2,186**	**0**	**40,801**	**80,422**
Change in basis of consolidation	-3	0	0	0	-3
Additions	2,211	0	0	4,270	6,481
Disposals	2,504	0	0	4,830	7,334
Transfers	10	0	0	0	10
Currency adjustment	76	0	0	-2	74
Dec. 31, 2018	**37,225**	**2,186**	**0**	**40,239**	**79,650**

in EUR '000 Accumulated depreciation	Licenses, software and similar rights and values	Goodwill	Internally generated intangible assets Capitalized software costs	 Capitalized development costs	Total
Jan. 1, 2018	**30,820**	**2,186**	**0**	**26,395**	**59,401**
Change in basis of consolidation	-3	0	0	0	-3
Additions	2,910	0	0	4,744	7,654
Disposals	1,752	0	0	3,831	5,583
Transfers	4	0	0	0	4
Currency adjustment	100	0	0	0	100
Dec. 31, 2018	**32,079**	**2,186**	**0**	**27,308**	**61,573**
Carrying amount Dec. 31, 2018	**5,146**	**0**	**0**	**12,931**	**18,077**

Changes in the scope of consolidation were of minor significance in the fiscal year.

Of the total research and development costs and patent costs incurred in 2018, EUR 4,348 thousand (previous year: EUR 3,699 thousand) met the capitalization criteria in accordance with IFRS. The following amounts were recognized in net income:

in EUR '000	2017	2018
Research costs and non-capitalized development costs	18,496	18,486
Amortization of development costs and patents	5,212	4,924
Research and development costs recognized in net income	**23,708**	**23,410**

20.2 Property, plant and equipment

in EUR '000 **Acquisition or Manufacturing costs**	**Land and Buildings**	**Technical equipment and machinery**	**Other equipment, factory and office equipment**	**Payments on account and Equipment in construction**	**Total**
Jan. 1, 2017	**285,735**	**544,679**	**82,038**	**14,821**	**927,273**
Change in basis of consolidation	0	-121	-2	0	-123
Additions	10,033	63,827	10,388	18,312	102,560
Disposals	214	46,027	7,887	130	54,258
Transfers	421	12,931	447	-13,799	0
Currency adjustment	-3,621	-34,066	-2,769	-570	-41,026
Dec. 31, 2017	**292,354**	**541,223**	**82,215**	**18,634**	**934,426**

in EUR '000 **Accumulated depreciation**	**Land and Buildings**	**Technical equipment and machinery**	**Other equipment, factory and office equipment**	**Payments on account and Equipment in construction**	**Total**
Jan. 1, 2017	**107,917**	**355,296**	**56,083**	**0**	**519,296**
Change in basis of consolidation	0	-72	-2	0	-74
Additions	7,878	53,507	8,368	0	69,753
Disposals	104	30,006	6,437	0	36,547
Transfers	0	-236	236	0	0
Currency adjustment	2,405	-25,634	-2,203	0	-25,431
Dec. 31, 2017	**118,096**	**352,855**	**56,045**	**0**	**526,997**
Carrying amount Dec 31, 2017	**174,258**	**188,368**	**26,169**	**18,634**	**407,429**
of which finance lease, carrying amount Dec. 31, 2017	0	29,906	6,897	0	36,803

in EUR '000 **Acquisition or Manufacturing costs**	**Land and Buildings**	**Technical equipment and machinery**	**Other equipment, factory and office equipment**	**Payments on account and Equipment in construction**	**Total**
Jan. 1, 2018	**292,354**	**541,223**	**82,215**	**18,634**	**934,426**
Change in basis of consolidation	-39	152	428	0	541
Additions	2,940	70,033	12,705	17,708	103,386
Disposals	1,405	66,361	9,156	54	76,976
Transfers	10,578	15,024	315	-25,917	0
Currency adjustment	-645	7,499	717	452	8,023
Dec. 31, 2018	**303,783**	**567,570**	**87,224**	**10,823**	**969,400**

in EUR '000 Accumulated depreciation	Land and Buildings	Technical equipment and machinery	Other equipment, factory and office equipment	Payments on account and Equipment in construction	Total
Jan. 1, 2018	**118,096**	**352,855**	**56,045**	**0**	**526,997**
Change in basis of consolidation	-39	-100	355	0	216
Additions	7,819	56,185	9,309	0	73,313
Disposals	196	42,560	7,751	0	50,507
Transfers	0	127	-127	0	0
Currency adjustment	57	7,149	604	0	7,810
Dec. 31, 2018	**125,737**	**373,657**	**58,435**	**0**	**557,829**
Carrying amount Dec. 31, 2018	**178,046**	**193,913**	**28,789**	**10,823**	**411,571**
of which finance lease, carrying amount Dec. 31, 2018	0	28,002	7,534	0	35,536

Changes in the scope of consolidation in fiscal 2017 and 2018 were of minor significance in the area of the fixed assets.

There are purchase options, which will be executed, for the majority of buildings and equipment subject to finance lease contracts. The underlying interest rates of the contracts vary between 1.39% and 7.70% (previous year: 1.17% and 7.12%), depending on the market and time of the conclusion of the contract. The lease payments due in the future and their present values are stated in the following table:
Items of property, plant and equipment have a carrying amount of EUR 71,701 thousand (previous year: 97,438 thousand) and are subject to encumbrances such as mortgages and chattel mortgages. There are also common restraints on disposal on leased assets, which are attributable to the Group (finance lease) in accordance with IAS 17 and amount to EUR 35,536 thousand (previous year: 36,803 thousand).

in EUR '000	Remaining term 2017				Remaining term 2018			
	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	15,067	20,815	407	36,289	10,583	21,320	103	32,006
Interest portions	743	854	12	1,609	526	671	14	1,210
Present value	**14,324**	**19,961**	**395**	**34,680**	**10,057**	**20,649**	**89**	**30,796**

Borrowing costs amounting to EUR 19 thousand were capitalized in the financial year (previous year: none). Fixed assets were impaired by a total of EUR 1,623 thousand (previous year: 1,042 thousand) in the financial year. Of these impairments, EUR 409 thousand (previous year: EUR 24 thousand) related to the Construction segment, EUR 1,164 thousand (previous year: EUR 893 thousand) to the Equipment segment in the amount of EUR 1 thousand (previous year: EUR 0 thousand) and the Resources segment and EUR 49 thousand (previous year: EUR 125 thousand) to the 'Other' segment. Of this amount, EUR 1,014 thousand (previous year: 1,017 thousand) pertained to intangible assets and EUR 609 thousand (previous year: 25 thousand) to property, plant and equipment. The majority of impairments on intangible assets relates to capitalized development costs in the Equipment segment in the amount of EUR 968 thousand (previous year: 664 thousand) The expected market development for various equipment developed in-house was the key factor in this respect. Impairment losses on property, plant and equipment pertain to the technical equipment to the amount of EUR 529 thousand. The impairments were applied on the basis of the recoverable amount. For the capitalized development costs, this corresponded with the value in use. A discount rate of 7.7% (previous year: 6.8%) was applied in the financial year. The recoverable amount of other non-financial assets regularly corresponded with the fair value less cost to sell. This method is part of level 1 of the fair value hierarchy stated in IFRS 13.

20.3 Investments recognized using the equity method

The balance sheet approaches of the joint ventures and associated companies developed as follows:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Shares in joint ventures accounted for using the equity method	81,008	68,320
Shares in associated companies accounted for using the equity method	40,307	44,699
Total	**121,315**	**113,019**

The following table provides an overview of the changes in shares accounted for using the equity method:

in EUR '000	Associated companies		Joint ventures	
Acquisition or Manufacturing costs	**2017**	**2018**	**2017**	**2018**
Jan. 1	**38,948**	**42,492**	**92,489**	**86,267**
Additions	3,389	898	0	4,658
Disposals	1,063	0	409	17,297
Profit/loss attributable	2,870	4,792	567	4,805
Dividend payments	-1,652	-1,298	-1,400	-1,400
Transfers	0	-46	0	0
Currency adjustment	0	0	-4,980	1,551
Dec. 31	**42,492**	**46,838**	**86,267**	**78,584**

in EUR '000	Associated companies		Joint ventures	
Accumulated depreciation	2017	2018	2017	2018
Jan. 1	**2,185**	**2,185**	**0**	**5,259**
Additions	0	0	5,259	5,005
Disposals	0	0	0	0
Transfers	0	0	0	0
Currency adjustment	0	-46	0	0
Dec. 31	**2,185**	**2,139**	**5,259**	**10,264**
Carrying amount Dec. 31	**40,307**	**44,699**	**81,008**	**68,320**

a) Joint ventures

The amounts stated in the financial information for joint ventures are recognized in the annual financial statements prepared in accordance with local financial reporting standards, corrected by any adjustments to IFRS.

These are the material joint ventures:

Financial year 2017:

Name	Company's activities	Registered office	Capital share	Valuation method
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40%	Equity method
BAUER Manufacturing LLC	Production	Conroe, USA	51%	Equity method
BAUER Deep Drilling GmbH	Production	Schrobenhausen, Germany	51%	Equity method

Financial year 2018:

Name	Company's activities	Registered office	Capital share	Valuation method
SPANTEC Spann- & Ankertechnik GmbH	Production	Schrobenhausen, Germany	40%	Equity method
BAUER Manufacturing LLC	Production	Conroe, USA	51%	Equity method
BAUER Deep Drilling GmbH	Production	Schrobenhausen, Germany	51%	Equity method

Summarized financial information on the material joint ventures (before consolidation):

BALANCE SHEET	SPANTEC Spann- & Ankertechnik GmbH		BAUER Manufacturing LLC		BAUER Deep Drilling GmbH	
in EUR '000	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Non-current assets	5,374	5,462	27,542	29,285	22,718	13,470
Current assets	7,883	8,391	45,436	22,936	26,206	5,038
(of which cash and cash equivalents)	(243)	(482)	(6,575)	(641)	(24,314)	(4,350)
Total assets	**13,257**	**13,853**	**72,978**	**52,221**	**48,924**	**18,508**
Non-current liabilities	358	394	8,326	0	640	1,216
(of which non-current financial liabilities)	(0)	(0)	(8,326)	0	(1)	(1)
Current liabilities	835	1,119	29,369	11,153	2,425	326
(of which current financial liabilities)	(0)	(0)	(3,622)	(14)	(3)	(2)
Total liabilities	**1,193**	**1,513**	**37,695**	**11,153**	**3,065**	**1,542**

Non-current and current financial liabilities do not contain any trade payables and provisions.

INCOME STATEMENT	**SPANTEC Spann- & Ankertechnik GmbH**		**BAUER Manufacturing LLC**		**BAUER Deep Drilling GmbH**	
in EUR '000	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Sales revenues	18,274	23,365	74,018	31,890	2,621	2,259
Scheduled depreciation and amortization	-184	-188	-1,521	-1,622	-1,985	-1,996
Earnings before interest and tax	4,322	5,242	-4,172	-4,174	-2,588	-1,490
Interest income	78	83	1	13	97	280
Interest expense	-23	-37	-98	-371	-7	-7
Income tax expense	-1,248	-1,502	0	0	702	342
Earnings after tax	3,129	3,783	-4,269	-4,532	-1,796	-892
Other comprehensive income	-49	9	0	0	28	-16
Total comprehensive income	**3,080**	**3,792**	**-4,269**	**-4,532**	**-1,768**	**-908**
Dividends distributed to the BAUER Group	1,400	1,400	0	0	0	0

The amounts stated in the financial information for joint ventures are recognized in the annual financial statements prepared in accordance with local financial reporting standards, corrected by any adjustments to IFRS.

Summarized financial information on the immaterial joint ventures (before consolidation):

BALANCE SHEET	**Immaterial joint ventures**	
in EUR '000	**Dec. 31, 2017**	**Dec. 31, 2018**
Non-current assets	1,670	1,760
Current assets	43,334	53,379
(of which cash and cash equivalents)	(5,786)	(4,750)
Total assets	**45,004**	**55,140**
Non-current liabilities	0	0
(of which non-current financial liabilities)	(0)	(0)
Current liabilities	32,318	36,118
(of which current financial liabilities)	(12,325)	(12,228)
Total liabilities	**32,318**	**36,118**

Non-current and current financial liabilities do not contain any trade payables and provisions.

INCOME STATEMENT	Immaterial joint ventures	
in EUR '000	2017	2018
Sales revenues	42,275	52,020
Scheduled depreciation and amortization	-320	-539
Earnings before interest and tax	5,566	8,343
Interest income	0	0
Interest expense	-12	-8
Income tax expense	-700	327
Earnings after tax	**4,854**	**7,732**
Dividends distributed to the BAUER Group	0	0

Reconciliation to the summarized financial information on joint ventures

The proportional carrying amount of the joint ventures can be offset and reconciled as follows:

Financial year 2017:

in EUR '000	SPANTEC Spann- & Ankertechnik GmbH	BAUER Manufacturing LLC	BAUER Deep Drilling GmbH	Immaterial joint ventures
Net assets of joint ventures	12,064	35,283	45,859	13,232
Share in joint ventures according to investment quota	4,826	17,994	23,388	6,649
Goodwill and other adjustments	5,893	17,253	5,005	0
Carrying amount reported in the balance sheet	**10,719**	**35,247**	**28,393**	**6,649**

Financial year 2018:

in EUR '000	SPANTEC Spann- & Ankertechnik GmbH	BAUER Manufacturing LLC	BAUER Deep Drilling GmbH	Immaterial joint ventures
Net assets of joint ventures	12,340	41,068	16,966	19,582
Share in joint ventures according to investment quota	4,936	20,945	8,653	9,794
Goodwill and other adjustments	5,896	18,096	0	0
Carrying amount reported in the balance sheet	**10,832**	**39,041**	**8,653**	**9,794**

Fair values of material joint ventures:

in EUR ’000	Dec. 31, 2017	Dec. 31, 2018
SPANTEC Spann- & Ankertechnik GmbH	46,585	49,145
BAUER Manufacturing LLC	105,424	77,964
BAUER Deep Drilling GmbH	55,673	17,011

We did not state the fair value of our immaterial joint ventures as there is no listed market price.

b) Associated companies

The amounts stated in the financial information for associated companies are recognized in the annual financial statements prepared in accordance with local financial reporting standards, corrected by any adjustments to IFRS.

These are the material associated companies:

Financial year 2017:

Name	Company's activities	Registered office	Capital share
TERRABAUER S. L.	Specialist foundation engineering	Madrid, Spain	30.00%
BAUER Nimr LLC	Water treatment and environmental technology	Muscat, Al Mina, Sultanate of Oman	52.50%

Financial year 2018:

Name	Company's activities	Registered office	Capital share
TERRABAUER S. L.	Specialist foundation engineering	Madrid, Spain	30.00%
BAUER Nimr LLC	Water treatment and environmental technology	Muscat, Al Mina, Sultanate of Oman	52.50%
AO Mostostrojindustria	Metal processing	Moscow, Russia	20.70%

BAUER Nimr LLC is classified as an associated company despite a majority of voting rights because no control can be asserted over business and financial policy under the partnership agreement.

Summarized financial information for all associated companies (amounts before consolidation):

BALANCE SHEET	AO Mostostrojindustria *		TERRABAUER S. L. *		BAUER Nimr LLC	
in EUR ’000	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Non-current assets	-	-	419	-	33,147	60,264
Current assets	-	-	6,524	-	19,441	17,847
(of which cash and cash equivalents)	-	-	(12,168)	-	(11,284)	(6,544)
Total assets	**-**	**-**	**6,943**	**-**	**52,588**	**78,111**
Non-current liabilities	-	-	246	-	27,545	34,312
(of which non-current financial liabilities)	-	-	(0)	-	(27,037)	(33,735)
Current debt	-	-	897	-	5,890	15,841
(of which current financial liabilities)	-	-	(0)	-	(3,022)	(4,011)
Total liabilities	**-**	**-**	**1,143**	**-**	**33,435**	**50,153**

* Financial information was unavailable on the balance sheet date

INCOME STATEMENT	AO Mostostrojindustria *		TERRABAUER S. L. *		BAUER Nimr LLC	
in EUR ’000	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Sales revenues	-	-	759	-	19,612	42,592
Scheduled depreciation and amortization	-	-	-252	-	-340	-330
Earnings before interest and tax	-	-	-144	-	7,638	12,817
Interest income	-	-	106	-	1,784	1,714
Interest expense	-	-	0	-	-2,794	-2,506
Income tax expense	-	-	32	-	-392	-1,795
Earnings after tax	-	-	-7	-	6,236	10,154
Earnings after tax for the period in proportion to share	**-**	**-**	**-2**	**-**	**3,274**	**5,331**
Other comprehensive income	-	-	0	-	0	0
Total comprehensive income	**-**	**-**	**-2**	**-**	**3,274**	**5,331**
Dividends distributed to the BAUER Group	-	-	-	-	1,466	1,283

* Financial information was unavailable on the balance sheet date

Summarized financial information for associated companies, which are immaterial on their own (amounts before consolidation):

BALANCE SHEET in EUR '000	Immaterial associated companies Dec. 31, 2017	Immaterial associated companies Dec. 31, 2018
Non-current assets	95	76
Current assets	303	239
(of which cash and cash equivalents)	(118)	(8)
Total assets	**398**	**315**
Non-current liabilities	39	31
(of which non-current financial liabilities)	(39)	(31)
Current debt	170	117
(of which current financial liabilities)	(0)	(3)
Total liabilities	**209**	**148**

INCOME STATEMENT in EUR '000	Immaterial associated companies Dec. 31, 2017	Immaterial associated companies Dec. 31, 2018
Sales revenues	853	831
Scheduled depreciation and amortization	-28	-33
Earnings before interest and tax	84	42
Interest income	0	0
Interest expense	0	-1
Income tax expense	-27	-13
Earnings after tax	57	29
Earnings after tax for the period in proportion to share	**17**	**9**
Dividends distributed to the BAUER Group	11	15

Offsetting and reconciliation to the summarized financial information on associated companies

The proportional carrying amount of the associated companies can be offset and reconciled as follows:

Financial year 2017:

in EUR '000	BAUER Nimr LLC	Immaterial associated companies
Net assets of associated companies	19,152	189
Share in associated companies according to investment quota	10,055	56
Goodwill and other adjustments	20,293	0
Cash value of concession arrangement	7,068	0
Currency adjustment	2,835	0
Carrying amount reported in the balance sheet	**40,251**	**56**

Financial year 2018:

in EUR '000	AO Mostostrojindustria	BAUER Nimr LLC	Immaterial associated companies
Net assets of associated companies	4,338	27,958	167
Share in associated companies according to investment quota	898	14,678	50
Goodwill and other adjustments	0	22,552	0
Cash value of concession arrangement	0	6,521	0
Carrying amount reported in the balance sheet	**898**	**43,751**	**50**

The other adjustments pertain to temporal differences in reporting.

There were no obligations and material restrictions or risks with regard to the shares in associated companies on the balance sheet date.

20.4 Participations

Additional financial information for participations

in EUR '000	Wöhr + Bauer GmbH	Deusa International GmbH	Immaterial participations
Fair value	6,166	2,067	117
Dividends recorded during the period	1,162	160	0

In the reporting period, no financial investments in equity instruments were derecognized that were valued at fair value with no effect on profit and loss.

21. DEFERRED TAXES

Deferred tax assets and liabilities pertained to the following balance sheet items:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
	Deferred tax assets		Deferred tax liabilities	
Intangible assets	41	36	5,123	12,489
Property, plant and equipment	629	628	7,869	13,468
Inventories	1,128	7,363	8,780	7,845
Receivables and other assets	851	1,440	7,344	3,103
Provisions for pensions	21,866	23,730	698	1,314
Liabilities	10,334	11,513	1,901	2,267
Tax losses carried forward	20,673	19,318	0	0
Consolidation	7,180	10,026	6,169	7,775
Offsetting	-17,095	-24,865	-17,095	-24,865
Net amount	**45,607**	**49,189**	**20,789**	**23,396**

In the table above, deferred tax assets to the amount of EUR 224 thousand (previous year: EUR 926 thousand) and deferred tax liabilities in the amount of EUR 223 thousand (previous year: EUR 513 thousand) are included in liabilities, which is part of hedge accounting. In addition, deferred tax assets in the amount of EUR 19,290 thousand (previous year: EUR 17,644 thousand) and deferred tax liabilities in the amount of EUR 76 thousand (previous year: EUR 57 thousand) are included in provisions for pensions for the actuarial gains and losses recognized in equity. The deferred tax assets and deferred tax liabilities, which were generated as a result of hedge reserves and actuarial profits and losses, were recognized under equity.

The share of current deferred tax assets in respect of losses carried forward amounts to EUR 10,680 thousand (previous year: EUR 7,675 thousand) and the share of deferred tax liabilities to EUR 11,500 thousand (previous year: EUR 12,350 thousand).

For companies that in the previous year or in the current fiscal year achieved negative earnings before tax, a deferred tax asset of EUR 6,718 thousand (previous year: EUR 11,635 thousand) is activated. This tax claim is expected to be realized due to the future planned taxable income.

The tax losses carried forward at the end of the year are as follows:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Domestic losses (corporation tax)	109,884	108,245
Foreign losses	149,577	174,057
Total	**259,461**	**282,302**
Of which losses carried forward deductible for limited periods	95,034	83,944

No deferred taxes were recognized for unusable losses carried forward in the amount of EUR 212,323 thousand (previous year: 181,344 thousand) due to the medium-term income tax target.
The share of current deferred tax assets in respect of losses carried forward amounted to EUR 5,211 thousand (previous year: EUR 6,438 thousand) in the financial year.

Deferred tax liabilities arising from temporary differences in connection with investments in subsidiaries, shares in joint arrangements and associated companies are only recognized if 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. This is not presently the case.
In connection with shares in subsidiaries, deferred taxes in the amount of EUR 2,032 thousand (previous year: EUR 1,566 thousand) were not recognized for temporary differences.

22. OTHER NON-CURRENT ASSETS

The other non-current assets comprise the following items:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Claims from backup insurance	4,544	4,701
Sundry other non-current assets	3,109	2,936
Total	**7,653**	**7,637**

The additional other non-current assets did not incur any interest in the financial and previous year.

As in the previous year, the other non-current assets were neither impaired nor overdue in the year under review.

Within the BAUER Group, trade receivables in the amount of EUR 540 thousand (previous year: 0) were sold to third parties within the scope of individual receivables sales agreements. The risks with respect to sold receivables relevant for the risk assessment are the credit risk and the risk of late payment (late-payment risk). The credit risk primarily represents all risks and opportunities connected with the receivables and is mostly fully transferred onto the receivable purchaser against payment of a fixed purchase price reduction. For the BAUER Group, an arranged excess with respect to the purchaser of the receivables remains an agreed excess. The late-payment risk is still borne to the full extent by the BAUER Group. The maximum loss risk resulting for the late-payment risk for the BAUER Group from the sold and written off receivables as of December 31, 2018 is EUR 627 thousand (previous year: EUR 915 thousand) and is listed under the remaining other long-term assets as an ongoing commitment.

The corresponding liability amounts to EUR 1,231 thousand (previous year: 1,725 thousand), and is stated under “Other non-current debt.” The difference in the amount of EUR 604 thousand (previous year: 810 thousand) represents the fair value from remaining risks and is recognized in net income.

23. OTHER NON-CURRENT FINANCIAL ASSETS

The following table presents an analysis of the due dates for other non-current assets prior to the first-time adoption of IFRS 9:

in EUR ’000	Remaining term Dec 31, 2017	
	1 to 5 years	**over 5 years**
Sundry other non-current financial assets	1,441	9,672
Shares in non-consolidated subsidiaries	3,276	0
Total	**4,717**	**9,672**

The other non-current financial assets comprise the following in the financial year:

in EUR ’000	**Dec. 31, 2017**	**Dec. 31, 2018**
Sundry other non-current financial assets	11,113	11,411
Shares in non-consolidated subsidiaries	3,276	1,787
Total	**14,389**	**13,198**

The additional other non-current assets contain receivables from derivatives and other non-current financial assets. The derivatives are presented in item 37 under “Other disclosures.” The item also contains a loan receivable from BAUER Nimr LLC in the amount of EUR 10,036 thousand (previous year: 9,568 thousand). Non-consolidated subsidiaries do not include non-listed companies for which there is no active market. These do not fall under the scope of IFRS 9 and are therefore recognized at cost. Depreciation of non-consolidated subsidiaries totaled EUR 2,392 thousand (previous year: 131 thousand) during the financial year.

CURRENT ASSETS

24. INVENTORIES

The inventories comprise the following items:

in EUR ’000	Dec. 31, 2017	Dec. 31, 2018
Raw materials and supplies	144,415	153,259
Finished goods and work in progress and stock for trade	286,191	273,094
	430,606	426,353
Less advances received for inventories	-13,883	-16,098
Total	**416,723**	**410,255**

Of the inventories, EUR 251,061 thousand (previous year: 199,127 thousand) are stated at net realizable value. The previous year’s value was adjusted because inventories of BAUER Equipment America, Inc. were not recorded. The impairment losses on inventories against the net realizable value affecting net expenditure in the financial year totaled EUR 44,340 thousand (previous year: 22,944 thousand).

They are broken down as follows:

in EUR ’000	Dec. 31, 2017	Dec. 31, 2018
Depreciation of inventories due to use	14,644	17,590
Impairment losses on inventories	8,300	26,750
Total	**22,944**	**44,340**

The rental rate during the financial year was higher than in the previous year. Depreciation of used machinery due to use therefore decreased from EUR 14,644 thousand to EUR 17,590 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 impairments were applied on the basis of the recoverable amount. This regularly corresponded to the fair value less cost to sell. This method is part of level 1 of the fair value hierarchy stated in IFRS 13.

Finished goods and stock for trade 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 hired 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 equipment is rented out, the net realizable value is determined from the manufacturing cost less depreciation due to use and impairment losses on inventories.

In the case of a new machine, or a used machine which has not been hired out, the reduction in value against the net realizable value is recognized by means of an impairment loss.

The sale and rental 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	Dec. 31, 2017	Dec. 31, 2018
Carrying amount of used machines	55,828	60,488
of which rented out	29,148	27,101
of which not rented out	26,680	33,387

Inventories were not listed as loan securities this year or last year.

25. RECEIVABLES AND OTHER ASSETS

Contract assets
Contract assets developed as follows:

in EUR ’000	Dec. 31, 2017	Dec. 31, 2018
Contract costs incurred (plus profits, less losses) for projects not yet completed	941,942	1,002,491
less down-payments	844,822	909,912
Balance	**97,120**	**92,579**
of which: Contract assets	148,203	145,005
of which: Contract liabilities	51,083	52,426

For the financial year, valuation allowances were applied to contract assets amounting to EUR 571 thousand (previous year: none) to take expected credit losses into account.

Revenue from Contracts with Customers
There were no significant changes in the balances of contract assets and liabilities during the reporting period.

The following table shows the share of revenue from contract liabilities recognized in the reporting period in the previous year and revenue from contractual obligations that were met in previous years:

in EUR '000	Dec. 31, 2018
Revenue from contractual obligations included in contract liabilities at the beginning of the period	45,156
Revenue from contractual obligations that were fulfilled in previous periods	2,749

Development of receivables and other assets

The receivables and other assets comprise the following:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Contract assets	148,203	145,005
Trade receivables	317,488	334,978
Receivables from enterprises in which the company has participating interests	4,175	7,846
Payments on account	4,726	3,163
Other current assets	33,673	35,748
Other current financial assets	12,326	8,371
Total	**520,591**	**535,111**

The "Trade receivables" balance sheet item includes long-term receivables totaling EUR 4,602 thousand (previous year: EUR 6,653 thousand).

The trade receivables also include receivables from joint ventures.
Other current assets 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.

The following table presents the changes in valuation allowances to current receivables in the previous year:

in EUR '000	Dec. 31, 2017 *
Valuation allowance at start of financial year	29,348
Change in basis of consolidation	0
Currency adjustment	-713
Allocation	6,890
Reversal	5,006
Consumption	9,146
Valuation allowance at end of financial year	**21,373**

* Previous year adjusted; the industry-typical valuation allowances for change order receivables included in the valuation allowances for trade receivables have been deducted.

For changes in valuation allowances in the financial year as stipulated in IFRS 9, please refer to section 37 "Financial instruments."

The valuation allowances to reflect expected credit losses from trade receivables amounting to EUR 31,950 thousand (previous year: 21,373 thousand) were calculated taking individual risks into account and on the basis of historic payment defaults. Here, receivables were impaired individually (in the event of objective indications) and based on expected credit losses. The determination of valuation allowances for receivables is primarily based on estimates and evaluations 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.

Other financial assets amounting to EUR 59 thousand were impaired in the financial year as a result of expected credit losses.

Other current assets were neither impaired nor overdue in the year under review.

A total of EUR 3,057 thousand (previous year: 1,289 thousand) monetary assets were deposited as collateral for potential future warranties for construction activities. The current portion of the receivables from foreign exchange contracts included in the current financial assets in the financial year totaled EUR 615 thousand (previous year: EUR 3,589 thousand).

26. CASH AND CASH EQUIVALENTS

The cash and cash equivalents totaling EUR 62,587 thousand (previous year: 47,266 thousand) include credit balances at banks and petty cash stocks.

27. SHAREHOLDERS' EQUITY

The shareholder structure of BAUER AG is as follows:

in EUR '000	Dec. 31, 2017		Dec. 31, 2018	
	%	EUR '000	%	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**

Please refer to the Notes to the Financial Statements of BAUER AG (published in the Federal Gazette (Bundesanzeiger)) on December 31, 2018 for reports on participations in BAUER AG.

Composition of subscribed capital

The recorded and completely paid in capital (share capital) of BAUER AG is EUR 73,001,420.45 and is divided up 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% of the shares were in free float. The members of the Bauer family and a charitable foundation own a total of 8,256,246 no-nominal-value shares in BAUER AG on the basis of a pool agreement, representing a 48.19% 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% of the voting rights are known to the company.

None of the shareholders have 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 authorizes the Management Board, with the consent of the Supervisory Board, to increase the share capital once or more than once up to June 22, 2021 by up to a total of EUR 7.3 million by the issue of no-nominal-value shares against cash and/or non-cash contributions. 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 case of capital increases in return for non-cash contributions, particularly for the purpose of acquiring companies, parts of companies, investments in companies and other assets or claims for the acquisition of assets, including receivables from companies or their group companies, or for the purpose of company mergers;
- 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 (3) sentence 4 AktG do not in total exceed 10% 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 or are to be sold or issued in direct or corresponding application of section 186 (3) sentence 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 10% limit;
- to compensate fractional amounts resulting during capital increases in return for cash and/or non-cash contributions due to the subscription ratio;
- to implement so-called scrip dividends where shareholders are offered an option to pay in their dividend entitlement (in full or part thereof) as non-cash contribution in return for the issuance of new shares from the approved capital 2016.

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.

Through resolution in the Annual General Meeting dated June 26, 2014, the company was authorized to acquire treasury stock, over a limited period up to June 25, 2019, representing up to a total of 10% 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% above or 20% 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). 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% above or 20% below the average of the closing prices per share in the company in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange on the three trading days prior to the day of issue of the public tender offer. If significant 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 stock market price of shares of the company carrying the same rights at the time of the sale in Xetra trading (or a comparable successor system) on the Frankfurt Stock Exchange. The shares may also be transferred to third parties, provided this is done for the purpose of acquiring companies, parts in companies or investments in companies or other assets or effecting company mergers. The aforementioned shares may be withdrawn without need of a further resolution by the Annual General Meeting.
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 remaining equity of the BAUER Group developed as follows:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
I. Capital reserve	38,404	38,404
II. Other revenue reserves and distributable net profit	304,078	316,907
	342,482	**355,311**
III. Non-controlling interests	3,249	3,504
Total	**345,731**	**358,815**

In the financial year a dividend of EUR 0.10 (previous year: EUR 0.10) per share was paid to the shareholders.

Capital reserve
The capital reserve essentially comprises amounts that exceeded the book value of the nominal value when shares were issued, as well as expenses for the issue of shares.

Other revenue reserves and distributable net profit
Other revenue reserves and distributable net profit include past earnings of the companies included in the consolidated financial statements, insofar as they were not distributed. In addition, revaluations of liabilities from benefits to employees after termination of employment totaling EUR -69,112 thousand (previous year: -62,804 thousand) and related deferred taxes with no effect on profit and loss totaling EUR 19,383 thousand (previous year: 17,698 thousand) were recognized in Revenue reserves.
This line item also includes cumulative differences from the currency translation of financial statements for consolidated foreign subsidiaries with no effect on profit and loss totaling EUR 13,285 thousand (previous year: 14,721 thousand) and cumulative gains from the switch to IFRS of EUR 10,387 thousand (previous year: 10,387 thousand).

Furthermore, this item includes accumulated effects from the recognition of derivative financial instruments (hedging reserve and reserve for hedging costs) totaling EUR -346 thousand (previous year: -1,013 thousand) with no effect on profit and loss and the recognition of equity and debt instruments amounting to EUR -1,663 thousand with no effect on profit and loss.

27.1 Non-controlling interests

Details on not wholly owned subsidiaries in which material non-controlling interests are held

These are the material non-controlling interests of BAUER Group:

in EUR '000		Dec. 31, 2017			Dec. 31, 2018		
Group company	**Non-controlling interests**	**Share-holding in %**	**Share-holding in EUR '000**	**Profit/loss attribut-able in EUR '000**	**Share-holding in %**	**Share-holding in EUR '000**	**Profit/loss attribut-able in EUR '000**
BAUER EGYPT S.A.E., Cairo, Egypt	Various natural persons	44.25	9,077	2,220	44.25	8,535	2,850
BAUER Casings Makina Sanayi ve Ticaret Limited Sirketi, Ankara, Turkey	Emiroglu Makina	40.00	824	546	40.00	686	532
Thai Bauer Ltd.		26.01	2,990	1,364	26.01	4,373	1,221
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	Oweis family	16.67	-11,516	-2,913	16.67	-14,564	-2,884
Individual immaterial subsidiaries with non-controlling interests			1,874	292		4,474	-209
Total			**3,249**	**925**		**3,504**	**1,510**

Below is the summarized financial information for each Group company with material non-controlling interests corresponding to the amounts before Group-internal elimination:

BALANCE SHEET	BAUER Casings		BAUER EGYPT S.A.E		Site Group		Thai Bauer Ltd.	
in EUR '000	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Non-current assets	1,912	1,475	8,988	12,252	5,170	10,757	12,877	18,950
Current assets	4,541	3,545	20,518	23,216	56,340	45,726	16,030	16,442
Non-current liabilities	1,268	753	342	0	0	228	1,940	2,180
Current debt	1,559	663	10,434	10,647	71,454	60,242	15,472	21,304

INCOME STATEMENT	BAUER Casings		BAUER EGYPT S.A.E		Site Group		Thai Bauer Ltd.	
in EUR '000	2017	2018	2017	2018	2017	2018	2017	2018
Sales revenues	6,945	6,488	32,860	42,686	12,454	1,330	29,971	42,799
Earnings before interest and tax	1,999	1,812	5,933	8,121	-11,993	-20,985	7,843	6,329
Earnings before tax	1,674	1,706	6,443	8,444	-17,594	-25,640	6,760	5,723
Earnings after tax	1,331	1,331	5,017	6,440	-17,659	-26,655	5,243	4,695
Profit/loss attributable to non-controlling interests	538	546	2,220	2,850	-2,913	-2,884	1,364	1,221
Profit/loss attributable to shareholders of BAUER AG	793	785	2,797	3,590	-14,746	-22,771	3,879	3,474
Dividends distributed to non-controlling interest	-152	-188	-464	-589	0	-30	0	0

CASH FLOW STATEMENT	BAUER Casings		BAUER EGYPT S.A.E		Site Group		Thai Bauer Ltd.	
in EUR '000	2017	2018	2017	2018	2017	2018	2017	2018
Cash flow from operating activities	933	721	7,339	8,844	-1,194	-13,053	2,974	12,930
Cash flow from investing activities	-169	-119	-7,240	-6,196	6,605	21,663	-1	-5,961
Cash flow from financing activities	-516	-823	-994	-946	-5,202	-5,110	-2,818	-6,980
Influence of exchange rate movements on cash	-12	-32	-880	291	-55	2,101	-12	28
Changes in cash and cash equivalents with an effect on liquidity	236	-253	-1,775	1,993	154	5,601	143	18

27.2 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 focused primarily on key indicators such as the equity ratio, net debt and net result for the period for the period.

The key indicators are presented below:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Equity	418,732	431,816
Equity ratio	25.88%	26.45%
Earnings after tax	3,665	24,087
Net debt	593,694	561,821
Financial indebtedness	640,960	624,408
Liquid funds	47,266	62,587
Net debt / EBITDA	3.25	2.83
EBITDA / net interest coverage	3.28	5.27

Financial liabilities include long-term and short-term liabilities to banks, liabilities from finance lease agreements and other financial liabilities. Net interest coverage includes the financial result, adjusted for income from operating investments.
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. As of December 31, 2018, all covenants of the major loan agreements were met.

28. NON-CURRENT DEBT

The non-current portions of the liabilities comprise the following:

in EUR '000	Remaining term Dec 31, 2017		Remaining term Dec 31, 2018	
	1 to 5 years	over 5 years	1 to 5 years	over 5 years
Liabilities to banks	151,058	4,563	304,326	4,146
Liabilities from finance lease agreements	20,356	0	20,739	0
Other non-current liabilities	6,883	0	5,335	0
Other non-current financial liabilities	4,418	0	9,093	0
Total	**182,715**	**4,563**	**339,493**	**4,146**

in EUR '000	Fair value		Interest rate margin	
	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Liabilities to banks	286,560	316,491	0.50 - 11.89%	0.95 - 12.40%
Liabilities from finance lease agreements	20,356	21,498	1.17 - 7.12%	1.39 - 7.70%
Other non-current financial liabilities	4,411	9,118	3.67 - 7.93%	1.68 - 7.93%
Total	**311,327**	**347,107**	-	-

The other non-current debt primarily includes non-current portions of liabilities from obligations in respect of service anniversary payments.
Other non-current financial liabilities include the market value of the derivatives as well as other liabilities to financing companies (see notes to the financial instruments in item 37).

29. PROVISIONS FOR PENSIONS

The BAUER Group operates a number of provisions for pensions in Germany and internationally. The provisions for pensions of the companies in Schrobenhausen recognized on the consolidated balance sheet cover most (96%) of the balance sheet value. Those companies are governed by the occupational pension scheme of BAUER Spezialtiefbau GmbH constituted on July 1, 1992 as amended by the in-company agreement dated November 18, 1998. In it, the company grants all employees who joined by March 31, 1998 and their surviving dependents a retirement pension and invalidity benefit as well as a widow's/widower's pension. Employees qualify for the retirement pension on reaching the standard retirement age, or on prior qualification for a pension from the statutory pension fund. The pension payable amounts to 0.225% of the employee's pensionable earnings for each pensionable year of service, plus 0.075% of pensionable earnings for each pensionable year of service completed before January 1, 1999; plus, for the portion of pensionable earnings above the contribution assessment limit in the statutory pension fund, 0.375% plus 0.125% for each pensionable year of service completed before January 1, 1999. In the case of scheme members who are not members of the Zusatzversorgungskasse des Baugewerbes (construction industry ancillary benefits fund): For each pensionable year of service, 0.3% plus 0.1% of pensionable earnings for each pensionable year of service completed before January 1, 1999; plus, for the portion of pensionable earnings above the contribution assessment limit in the statutory pension fund, 0.3% plus 0.1% for each year of service completed before January 1, 1999.

The widow's/widower's pension amounts to 50% of the attained entitlement. Benefits are also promised to surviving dependent children in various forms. Vesting and transitional arrangements are also in place. The risks entailed by the pension schemes are mainly those commonly associated with provisions for pensions in terms of potential variations in the discount rate and, to a lesser extent, inflation trends as well as longevity.

The calculations are based on the following actuarial assumptions:

in %	Dec. 31, 2017			
	Germany	Indonesia	Philippines	Taiwan
Interest rate	1.90	7.00	5.77	1.38
Future salary increases	3.00	10.00	5.00	3.00
Future pension increases	2.00	-	-	0

in %	Dec. 31, 2018			
	Germany	Indonesia	Philippines	India *
Interest rate	1.90	8.25	7.50	-
Future salary increases	3.00	10.00	5.00	-
Future pension increases	2.00	-	-	-

* No information was available for companies with a different financial year.

Provisions for pensions in Germany are calculated biometrically applying the 2005 G Graduated Life Tables compiled by Professor Dr. Heubeck. The interest rate applied for discounting the future payment obligations is always determined on the basis of the return on top company bonds.
Outside of Germany, the underlying biometric probability of death is based on published national statistics and empirical data.

The provision for pensions and similar obligations recognized in the balance sheet is calculated as follows:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Present value of commitments financed by a fund	4,683	727
Fair value of plan assets	-1,038	-727
Plan deficit	**3,645**	**0**
Present value of commitments not financed by a fund	125,306	137,290
Total deficit of defined benefit plan commitments	**128,951**	**137,290**
Effect of asset ceiling	-	-
Recognized provision	**128,951**	**137,290**

<<< ***BAUER MC 86 and MC 96 duty-cycle cranes were used for various jobs on the Karla Tower construction site in Gothenburg, Sweden. The equipment was particularly impressive when used as base machines for casing oscillators, with rope grippers, chisels or even lifting devices.***

The defined benefit obligation and the plan assets developed as follows in the previous year:

in EUR '000	Present value of commitment	Fair value of plan assets	Total	Effect of asset ceiling	Total
Date: Jan. 1, 2017	**130,519**	**-931**	**129,588**	**-**	**129,588**
Current service costs	2,845	-	2,845	-	2,845
Interest expense/income	2,441	-54	2,387	-	2,387
Post-employment expenditure, gains and losses from payment in lieu	-	-	-	-	-
Total	**135,805**	**-985**	**134,820**	**-**	**134,820**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	-	-7	-7	-	-7
Actuarial gains and losses arising from adjustments to demographic assumptions	-	-	-	-	-
Actuarial gains and losses arising from adjustments to financial assumptions	-2,320	-	-2,320	-	-2,320
Empirical value-based adjustments	-613	-	-613	-	-613
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	-	-	-	-	-
Total	**-2,933**	**-7**	**-2,940**	**-**	**-2,940**
Exchange rate movements	-234	85	-149	-	-149
Contributions:					
Employer	-	-131	-131	-	-131
Beneficiary employee	-	-	-	-	-
Payments from the plan:					
Ongoing payments	-	-	-	-	-
Benefits (not fund-financed)	-2,610	-	-2,610	-	-2,610
Other effects	-39	-	-39	-	-39
Date: Dec. 31, 2017	**129,989**	**-1,038**	**128,951**	**-**	**128,951**

The defined benefit obligation and the plan assets developed as follows during the financial year:

in EUR '000	Present value of commitment	Fair value of plan assets	Total	Effect of asset ceiling	Total
Date: Jan. 1, 2018	**129,989**	**-1,038**	**128,951**	**-**	**128,951**
Current service costs	2,680	-	2,680	-	2,680
Interest expense/income	2,599	-52	2,547	-	2,547
Post-employment expenditure, gains and losses from payment in lieu	-	-	-	-	-
Total	**135,268**	**-1,090**	**134,178**	**-**	**134,178**
Revaluation:					
Income from plan assets excluding amounts contained in the above interest	-	339	339	-	339
Actuarial gains and losses arising from adjustments to demographic assumptions	2,270	-	2,270	-	2,270
Actuarial gains and losses arising from adjustments to financial assumptions	-276	-	-276	-	-276
Empirical value-based adjustments	3,552	-	3,552	-	3,552
Changes in the effect of limitation of a defined benefit plan on the asset ceiling, excluding amounts contained in the interest	-	-	-	-	-
Total	**5,546**	**339**	**5,885**	**-**	**5,885**
Exchange rate movements	69	9	78	-	78
Contributions:					
Employer	-	-71	-71	-	-71
Beneficiary employee	-	-	-	-	-
Payments from the plan:					
Ongoing payments	-	-	-	-	-
Benefits (not fund-financed)	-2,905	86	-2,819	-	-2,819
Other effects	39	-	39	-	39
Date: Dec. 31, 2018	**138,017**	**-727**	**137,290**	**-**	**137,290**

The fair value of the plan assets can be allocated to the following categories:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Qualifying insurance contracts	266	0
Money market fund and pension fund	686	727
Cash and cash equivalents	86	0
Total	**1,038**	**727**

No market price quotations exist for the qualifying insurance contracts.

The key actuarial assumptions applied in determining the defined benefit plan commitment are the discount interest rate, expected salary increases and expected pension increases.

The sensitivity of the overall pension commitment to variations in the weighted primary assumptions is:

in EUR '000	Effect on commitment		
	Variation in assumption	Increase in assumption	Decrease in assumption
Discount interest rate	+/- 0.5%	126,029	151,802
Future salary increases	+/- 0.5%	141,595	134,662
Future pension increase	+/- 0.5%	147,553	129,353
		Increase in assumption by 1 year	Decrease in assumption by 1 year
Probability of death		144,742	131,165

The above sensitivity analysis is based on a variation in one assumption while all other assumptions remain constant. It is unlikely that this will occur in reality, and variations in some assumptions may correlate. The sensitivity for life expectancy is reached using general (age-independent) factors for a reference person with a life expectancy of one year higher or one year lower. In calculating the sensitivity of the defined benefit plan commitment to variations in actuarial assumptions, the same method was applied as that used to measure the provisions for pensions on the balance sheet. The present value of the defined benefit plan commitments was calculated by the Projected Unit Credit method as at the end of the reporting period.

The methods and categories of assumption applied in preparing the sensitivity analysis have not changed relative to the prior period. The defined benefit plan commitments and plan assets by country are as follows:

in EUR '000	Dec. 31, 2017				
	Germany	Indonesia	Philippines	Taiwan	Total
Present value of commitments	127,846	1,689	333	121	129,989
Fair value of plan assets	-266	-686	0	-86	-1,038
Total	**127,580**	**1,003**	**333**	**35**	**128,951**
Effect of asset ceiling	-	-	-	-	-
Total	**127,580**	**1,003**	**333**	**35**	**128,951**

in EUR '000	Dec. 31, 2018				
	Germany	Indonesia	Philippines	India	Total
Present value of commitments	135,717	1,943	318	39	138,017
Fair value of plan assets	0	-727	0	0	-727
Total	**135,717**	**1,216**	**318**	**39**	**137,290**
Effect of asset ceiling	0	0	0	0	0
Total	**135,717**	**1,216**	**318**	**39**	**137,290**

The present value of the defined benefit plan commitment is distributed as follows among the plan members:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Active scheme members	76,652	79,330
Deferred beneficiaries	6,955	6,566
Retired employees	46,382	52,121
Total	**129,989**	**138,017**

The weighted average term of the provisions for pensions is 19.06 years (previous year: 19.25 years).

Pension payments in financial year 2019 are expected to amount to EUR 3,884 thousand (previous year: EUR 3,412 thousand). Of that total, EUR 3,884 thousand (previous year: 3,412 thousand) is projected to be contributed by the employer. Contributions to the external plan assets totaling EUR 70 thousand (previous year: EUR 125 thousand) are expected for 2019.

The following table provides an overview of the due dates of the nondiscounted pension payments:

in EUR '000	under 1 year	1 to 5 years	6 to 10 years	Dec. 31, 2018 Total
Pension payments	3,884	14,571	22,747	41,202

30. CURRENT DEBT

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Liabilities to banks	429,589	256,743
Liabilities from finance lease agreements	14,324	10,057
Contract liabilities	51,083	52,426
Trade payables	233,519	224,502
Liabilities to enterprises in which the company has participating interests	690	860
Other current liabilities	79,706	80,063
Other current financial liabilities	16,652	19,304
Total	**825,563**	**643,955**

The "Trade payables" balance sheet item includes long-term payables totaling EUR 864 thousand (previous year: 653 thousand).

The other current debt mainly comprises 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 almost match the carrying amounts. The interest rate margin on current debt to banks is 0.95% to 13.20% (previous year: 0.50% to 11.20%).

31. OTHER PROVISIONS

The other provisions developed as follows in the financial year:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Date: Jan. 1	**15,373**	**20,188**
Change in basis of consolidation	0	0
Currency adjustment	-233	-160
Allocation	11,354	10,396
Reversal	2,567	4,897
Consumption	3,739	5,026
Date: Dec. 31	**20,188**	**20,501**

The other provisions comprise the following:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Risk from contract processing and warranties	19,143	19,690
Litigation	782	797
Impending losses	263	14
Total	**20,188**	**20,501**

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.

It is expected that other provisions will be consumed in the course of 2019. The provisions for litigation relate for the most part to provisions for legal disputes on receivables.

32. 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	Dec. 31, 2017	Dec. 31, 2018
Liabilities from guarantees	46,059	45,252

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 consortia in which we participate. Maturities of payments for liabilities are not expected.

33. OTHER FINANCIAL OBLIGATIONS

in EUR '000	Remaining term					
	under 1 year		1 to 5 years		over 5 years	
	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
Minimum lease payments from operating leases	10,104	7,184	11,521	17,879	114	777
Other financial obligations	8,878	10,561	5,895	4,584	4,261	3,533

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 totaling monthly EUR 251 thousand (previous year: EUR 472 thousand). The other financial obligations mainly include limited-term property rentals and leases.

34. DISCONTINUED OPERATIONS

There are no plans to discontinue business operations under the terms of IFRS 5.

35. EVENTS AFTER THE BALANCE SHEET DATE

No events subject to mandatory reporting in accordance with IAS 10 or DRS 20 occurred after December 31, 2018.

OTHER DISCLOSURES

36. 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 basis of consolidation, as well as the allocation and elimination of value adjustments on trade receivables and provisions, do not affect payments and are stripped out.

37. 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. All derivatives transactions are entered into only with banks of the highest possible 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. The exchange rates between functional and non-functional currencies in which the BAUER Group enters into financial instruments are classed as relevant risk variables.

The existing foreign exchange contracts safeguard the currency hedging strategy. Within the BAUER Group, the primary monetary financial instruments are either denominated directly in functional currency or the fluctuations resulting from the exchange rate risk are largely eliminated 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 foreign exchange risk in case of exchange rate shifts of +/- 10%:

in EUR '000 **on Dec. 31, 2017**	USD/EUR	AUD/EUR	GBP/EUR
Overall effect of +10% on OCI	8,840	617	0
Overall effect of -10% on OCI	-10,806	-753	0
Overall effect of +10% on income statement	3,705	0	-594
Overall effect of -10% on income statement	-4,501	0	726

in EUR '000 **on Dec. 31, 2018**	USD/EUR	AUD/EUR	GBP/EUR
Overall effect of +10% on OCI	6,586	342	0
Overall effect of -10% on OCI	-8,049	-418	0
Overall effect of +10% on income statement	-2,998	24	-380
Overall effect of -10% on income statement	3,673	-29	464

In 2018, the sensitivity effects primarily related to the currency pairs of USD/EUR, AUD/EUR and GBP/EUR. No concentrations of risk exist.

Interest rate risks

The interest rate risk of the Group is based on financial liabilities with floating interest rates (as well as the short-term credit lines used). 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 hedged by derivatives, 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 caps) which are not embedded in a hedging relationship pursuant to IFRS 9 have effects on financial income and expenses (net valuation based on adjustment of financial assets and financial liabilities to applicable fair value) and so are included in the calculation of earnings-related sensitivity. The effects of changes in market interest rates of interest rate derivatives to which hedge accounting is applied are recognized in the OCI.

Quantification of risk of change in interest rate in case of interest rate shifts of +/- 100 base points:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Overall effect of +100 base points on OCI	59	939
Overall effect of -100 base points on OCI	-159	-274
Overall effect of +100 base points on income statement	12,970	17,146
Overall effect of -100 base points on income statement	-13,470	-17,782

Raw material price risk

Raw material price 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 price risk relates mainly to steel. Due to the fixed pricing agreements, no sensitivity is stated.

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 by means of a liquidity forecast focused on a fixed planning horizon and by unused lines of credit and guarantee facilities available in the BAUER Group.

The following tables present the contractually agreed and undiscounted interest payments and capital repayments in respect of primary financial liabilities of the BAUER Group:

in EUR '000	Carrying amount Dec 31, 2017	Cash flow 2018	Cash flow 2019 to 2022	Cash flows 2023 et seqq.
Liabilities to banks	585,210	441,269	160,839	4,780
Liabilities from finance lease agreements	34,680	15,090	20,627	729
Other liabilities	86,589	79,705	3,405	3,504
Other financial liabilities (excluding derivatives)	17,078	16,304	1,004	0
Liabilities from construction contracts (PoC)	51,083	51,083	0	0
Trade payables	233,519	232,866	653	0
Liabilities to enterprises in which the company has participating interests	690	690	0	0

in EUR '000	Carrying amount Dec 31, 2018	Cash flow 2019	Cash flow 2020 to 2023	Cash flows 2024 et seqq.
Liabilities to banks	565,215	269,588	311,722	10,877
Liabilities from finance lease agreements	30,796	10,759	21,620	250
Other liabilities	85,398	80,069	1,872	3,501
Other financial liabilities (excluding derivatives)	19,177	17,896	1,319	0
Contract liabilities	52,426	52,426	0	0
Trade payables	224,502	223,638	864	0
Liabilities to enterprises in which the company has participating interests	860	860	0	0

There were no instances of defaulting on interest payments or capital repayments in the period under review. In addition, no concentrations of risk exist. 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 on Dec. 31, 2017	Carrying amount	2018	2019 to 2022	From 2023
Liabilities from foreign exchange forward contracts	**294**	**-283**	**-520**	**0**
Outflow of cash and cash equivalents	-	-14,821	-10,308	0
Inflow of cash and cash equivalents	-	14,538	9,788	0
Liabilities from interest rate swaps	**3,697**	**-3,093**	**-15,974**	**0**
Outflow of cash and cash equivalents	-	-3,093	-15,974	0

in EUR '000 on Dec. 31, 2018	Carrying amount	2019	2020 to 2023	From 2024
Liabilities from foreign exchange forward contracts	**1,315**	**-2,846**	**0**	**0**
Outflow of cash and cash equivalents	-	-100,938	0	0
Inflow of cash and cash equivalents	-	98,092	0	0
Liabilities from interest rate swaps	**7,905**	**-2,206**	**-11,746**	**-5,343**
Outflow of cash and cash equivalents	-	-2,206	-11,746	-5,343

To calculate the cash inflows from interest rate swaps the conditions as per December 31, 2018 were applied. The foreign exchange forward contracts represent a gross settlement while the interest rate swaps represent a net settlement.

Risk of default

The risk of default is managed at Group level. Default risks arise from cash and cash equivalents, derivative financial instruments and deposits at banks and financial service companies, as well as trade receivables, receivables from enterprises in which the company has participating interests, other financial assets and contract assets. Only banks and financial services companies with the highest possible credit ratings are selected as partners. No credit limit was exceeded in the reporting period.

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. A presentation of the carrying amounts and the resultant maximum risk of default per category is given in the tables starting on page 166. The risk arising from primary financial instruments is countered by means of valuation allowances for bad debt, and in Germany also by means of credit insurance cover. As derivative financial instruments are entered into only with banks with the highest possible credit ratings, and the risk management system sets limits for each party, the actual risk of default is negligible. No concentrations of risk exist.

The valuation allowance for trade receivables and contractual assets as of December 31, 2017/January 1, 2018 is transferred to the closing balance of the valuation allowance as of December 31, 2018 as follows:

in EUR '000	Trade receivables		Contract assets
	Stage 2 (simplified approach)	Stage 3 (impaired creditworthiness)	
Valuation allowance on Dec. 31, 2017 (as reported) – IAS 39 *	**0**	**21,373**	**0**
IFRS 9 adjustments	3,779	0	1,858
Valuation allowance on Jan. 1, 2018 (adjusted) – IFRS 9	**3,779**	**21,373**	**1,858**
Change in basis of consolidation	0	0	0
Foreign currency translation differences	0	362	0
Allocation	0	19,699	0
Reversal	1,587	4,684	1,287
Consumption	0	6,992	0
Valuation allowance on Dec. 31, 2018	**2,192**	**29,758**	**571**

* Previous year adjusted; the industry-typical valuation allowances for change order receivables included in the valuation allowances for trade receivables have been deducted.

The following table displays the gross carrying amounts and the risk of default of trade receivables and contract assets:

in EUR '000	Valuation allowance matrix for default risk				
	Credit default rate	Gross carrying amount		Total term ECL	Gross carrying amount of creditworthiness-impaired
		Trade receivables	Contract assets		
not overdue	0.37%	178,248	145,577	1,211	-
overdue up to 30 days	0.64%	36,444		235	-
overdue up to 60 days	0.95%	12,928		123	-
overdue up to 90 days	1.27%	4,892		62	-
overdue more than 90 days	1.30%	86,902		1,132	-
Total	**-**	**319,414**	**145,577**	**2,763**	**47,515**

The following table displays the gross carrying amounts of financial assets as per ECL stages on December 31, 2018:

in EUR '000	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
Other financial assets	19,226	-	-	**19,226**

The other financial assets evaluated at amortized cost are seen as “subject to a low risk of default,” which is why the valuation allowance recorded in the period was limited to the expected 12-month credit losses. Debt instruments are classified as having a “low risk of default” if the risk of default is low and the debtor is always in a position to fulfill its contractual payment obligations at short notice. Financial assets are classified as stage 2 if the risk of default has increased significantly since being first recognized, but default has not yet occurred. Accordingly, all financial assets reduced by way of individual valuation allowance can be found in stage 3. At the BAUER Group, other financial assets mainly comprise lending and short-term loans to related parties, surety receivables and other receivables.

The loan receivable from BAUER Nimr LLC in the amount of EUR 10,036 thousand (previous year: 9,568 thousand) represents the largest individual item within financial assets. The risk of default of BAUER Nimr LLC is assessed as being very low given its positive earnings forecasts from planning. The rating of other debtors is also known, thereby allowing continuous monitoring.

The valuation allowance for other financial assets valued at amortized cost as of December 31, 2017/January 1, 2018 is transferred to the closing balance of the allowance as of December 31, 2018 as follows:

in EUR ’000	Stage 1 12-month ECL	Stage 2 Total term ECL (not creditworthiness-impaired)	Stage 3 Total term ECL (creditworthiness-impaired)	Total
Valuation allowance on Dec. 31, 2017 (as reported) – IAS 39	**0**	**0**	**0**	**0**
IFRS 9 adjustments	66	0	0	66
Valuation allowance on Jan. 1, 2018 (adjusted) – IFRS 9	**66**	**0**	**0**	**66**
Change in basis of consolidation	0	0	0	0
Foreign currency translation differences	0	0	0	0
Allocation	0	0	0	0
Reversal	7	0	0	7
Consumption	0	0	0	0
Valuation allowance on Dec. 31, 2018	**59**	**0**	**0**	**59**

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 IFRS 9:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Financial assets measured at amortized cost (2017: loans and receivables) *	-32,233	-10,905
Financial liabilities measured at amortized cost	-31,623	-31,369
Financial assets at fair value through OCI without recycling (2017: available for sale financial assets)	-131	1,322
Financial assets and liabilities at fair value through profit or loss (2017: held for trading)	1,152	-9,145
Total	**-62,835**	**-50,097**

* Previous year adjusted

The net result of the "financial assets measured at amortized cost" category includes results from the creation and reversal of value adjustments in respect of trade receivables, results from bank fees, impairments and write-ups of uncollected receivables, effects from currency translation 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 "financial assets at fair value through OCI without recycling" category includes dividend income from other participations.

The net result of the "financial assets and liabilities at fair value through profit or loss" category includes results from foreign exchange forward contracts and options, as well as results from changes to the fair values of interest rate swaps.

In the table below the included impairments are evident:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Impairments for financial assets measured at amortized cost (2017: loans and receivables) *	-6,130	-15,271
Impairments for fair value through OCI without recycling (2017: available for sale financial assets)	-131	-
Total	**-6,261**	**-15,271**

* Previous year adjusted

The total interest income and expense from financial instruments valued at amortized cost is represented as follows:

in EUR '000	Dec. 31, 2017	Dec. 31, 2018
Interest income	4,187	6,857
Interest expense	-31,623	-31,369
Total	**-27,436**	**-24,512**

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. The tables on page 166 and onward provide a comparison of the carrying amounts and fair values of financial instruments and reconcile these according to the categories of IFRS 9.

For derivative financial instruments without option component, including foreign exchange forward contracts and interest rate swaps, future payment flows are determined based on term curves. The fair value of these instruments corresponds to the sum of discounted payment flows. Currency pair options are valued on the basis of customary market option price models.

For cash and cash equivalents, current trade receivables and other current assets, current trade payables and other current debt, 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 financial assets and of other 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.

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 (adopted unchanged) on active markets for identical assets and liabilities
- Level 2: Directly or indirectly observable input data for the asset or liability other than quoted prices as per level 1
- Level 3: Applied input data which does not originate from observable market data for measurement of the asset and liability (non-observable input data)

The following table represents the balance sheet items measured at the fair value of stage 3:

in EUR '000	Jan. 1, 2018	Additions	Disposals	Changes without any effect on profit or loss	Changes recognized in the income statement	Dec. 31, 2018
Financial assets	11,733	34	-1,083	-2,334	0	8,350

These are participations valued at fair value through OCI. The change in fair value having no effect on profit or loss pertains exclusively to the participation in Wöhr + Bauer GmbH.
The assumptions regarding corporate planning, the growth rate for the estimation of cash flows after the end of the planning period and the discount rate are included in the valuation as non-observable input parameters. Based on information that is currently available, a significant change to corporate planning is estimated as being improbable. For this reason, the used cash flow forecasts are considered as a suitable foundation for determining the fair value. If the cost of capital rate calculated on the after-tax basis varied by +/- 0.5 percentage points, the equity would be EUR 604 thousand (previous year 0) lower or EUR 685 thousand (previous year 0) higher. Between the significant, non-observable entry parameters, there are no significant relationships.
No significant fair value changes have arisen in the other participations.

There were no transfers between the levels during the year. If circumstances arise necessitating a reclassification, it is undertaken at the end of the reporting period.

Other disclosures relating to hedging transactions

Within the scope of intra-Group lending, the BAUER Group is exposed to foreign currency risks, the majority of which are hedged by cash flow hedges using forward exchange contracts. The main contractual features of the forward foreign exchange contracts are in accordance with the contractual components of the underlying transaction. Gains and losses on inter-company loans in foreign currency as of December 31, 2018 included in the hedge reserve in the OCI are recognized in the income statement in the period in which the hedged transaction impacts on the income statement. The likely effectiveness and economic relationship are determined using the critical term match method. Any ineffectiveness is determined using the dollar offset method based on the hypothetical derivatives method. When hedging foreign currency transactions, inefficiencies are likely to arise when the creditworthiness of the Group or counterparty of the derivative changes. No inefficiencies emerged during the reporting period.

Moreover, the interest-rate-related cash flow risk of variable-interest promissory notes were hedged by means of interest rate swaps and the promissory notes thus converted into fixed-interest financial liabilities. The main contractual features of the interest rate swaps are in accordance with the contractual components of the underlying transaction. The promissory notes and interest rate swaps are designated as a hedging relationship. No inefficiencies to be recognized arose in the financial year.

The following table provides an overview of the nominal volumes and market values of derivative financial instruments used in the Group:

in EUR '000	Nominal volume		Fair value			
	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017		Dec. 31, 2018	
			Positive	Negative	Positive	Negative
Interest rate swaps *						
of which in hedge accounting	21,500	41,000	0	-118	0	-292
of which not in hedge accounting	256,750	273,284	0	-3,579	0	-7,613
Foreign exchange contracts						
of which in hedge accounting	106,365	82,589	2,903	-1	286	-408
of which not in hedge accounting	65,985	70,899	800	-294	329	-907
Foreign exchange options						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	5,000	0	76	0	0	0
Cross currency swaps						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	368	0	20	0	0	0
Interest rate caps						
of which in hedge accounting	0	0	0	0	0	0
of which not in hedge accounting	216,000	226,000	1	0	0	0

* The interest rate swaps constitute the market values including accrued interest.

Amount, timing and uncertainty of future cash flows

The following table presents quantitative information per risk category. This includes the time profile for the notional amount of the hedging instrument and the average rate of the hedging instrument:

Dec. 31, 2018	Hedging of currency and interest rate risk		
	2019	2020	> 2020
Foreign exchange risk Nominal volume (in EUR '000)			
of which USD/EUR	74,288	0	0
of which AUD/EUR	3,792	0	0
of which CAD/EUR	3,396	0	0
of which HUF/EUR	1,112	0	0
Average hedging rate			
Average price USD/EUR	1.1765	0	0
Average price AUD/EUR	1.5350	0	0
Average price CAD/EUR	1.5280	0	0
Average price HUF/EUR	327.2051	0	0
Interest rate risks Nominal volume (in EUR '000)	0	3,500	37,500
Average interest hedging rate	**0**	**0.6400%**	**0.3828%**

Effects of hedge accounting on the net asset, financial and earnings position

The following table shows the carrying amounts of the hedging instruments (financial assets and liabilities shown separately) and the balance sheet items of the hedging instruments:

in EUR '000	Information about hedging instruments				
on Dec. 31, 2018	Nominal	Carrying amounts of hedging instruments		Cumulative value change of hedging instruments for determining inefficiencies	Balance sheet items
		Assets	Liabilities		
Cash flow hedges					
Foreign exchange risks	82,589	286	-408	-1,183	Other financial assets or other financial liabilities
Interest rate risks	41,000	0	-292	-296	Other financial liabilities

The following table shows the carrying amounts of the hedged items and the balances of the cash flow hedge reserve:

in EUR '000	Information on underlying transactions of cash flow hedges				
Dec. 31, 2018	Carrying amount of hedged items		Cumulative value change of hedged items for determining inefficiencies	Balance the cash flow hedge reserve	
	Assets	Liabilities		Active hedges	Ended hedges
Cash flow hedges					
Foreign exchange risks	79,833	2,756	1,183	0	0
Interest rate risks	0	40,829	296	-201	0

in EUR '000	Reconciliation statement for cash flow hedge reserve					
			Amounts reclassified to the income statement			
	Jan. 1, 2018	Changes in market value	due to non-occurrence of expected cash flows	due realization of underlying transaction in income statement	Tax effect of change in reserves	Dec. 31, 2018
Hedging reserve						
Foreign exchange risks	-957	-1,183	0	2,514	-374	0
Interest rate risks	-56	-296	0	94	57	-201
Reserve for hedging costs						
Foreign exchange risks	0	-494	0	293	56	-145

Reassignment for recognition in the income statement was carried out using the financial income and financial expenses items in the 2018 financial year. No inefficiencies emerged during the reporting period.

Offsetting Financial Assets and Financial Liabilities

a) Financial assets

The following financial assets are subject to potential offsetting, enforceable master-netting arrangements or similar arrangements. The gross amount of recognized financial assets corresponds to the net amount because no offsetting was performed in the balance sheet.

in EUR '000				Related amounts, which are not offset in the balance sheet		
	Gross financial assets recognized	Gross financial liabilities offset on the balance sheet	Net amount of financial assets recognized on the balance sheet	Financial instruments	Cash Securities received	Net amount
Date: Dec. 31, 2017						
Derivative financial Assets	3,799	0	3,799	-1,724	-	2,075
Cash and cash equivalents	47,266	0	47,266	-16,835	-	30,431
Total	**51,065**	**0**	**51,065**	**-18,559**	**-**	**32,506**
Date: Dec. 31, 2018						
Derivative financial assets	615	0	615	-603	-	12
Cash and cash equivalents	62,587	0	62,587	-13,517	-	49,070
Total	**63,202**	**0**	**63,202**	**-14,120**	**-**	**49,082**

b) Financial liabilities

The following financial liabilities are subject to potential offsetting, enforceable master-netting arrangements or similar arrangements. The gross amount of recognized financial liabilities corresponds to the net amount because no offsetting was performed in the balance sheet.

in EUR '000				Related amounts, which are not offset in the balance sheet		
	Gross financial liabilities recognized	Gross amount of financial assets offset on the balance sheet	Net financial liabilities recognized on the balance sheet	Financial instruments	Performed Securities received	Net amount
Date: Dec. 31, 2017						
Derivative financial liabilities	3,992	0	3,992	-1,724	-	2,269
Current-account overdrafts	449,128	0	449,128	-16,835	-	432,293
Total	**453,120**	**0**	**453,120**	**-18,559**	-	**434,562**
Date: Dec. 31, 2018						
Derivative financial liabilities	9,220	0	9,220	-603	-	8,617
Current-account overdrafts	442,997	0	442,997	-13,517	-	429,480
Total	**452,217**	**0**	**452,217**	**-14,120**	-	**438,097**

The “Financial instruments” column lists the amounts which are subject to master-netting arrangements but are not netted on the balance sheet because the preconditions for offsetting are not met. The “Cash securities received” column lists the amounts of cash and financial instrument securities received relative to the sum total of assets and liabilities which do not meet the criteria for netting on the balance sheet.

At the Group, financial instruments are assigned to balance sheet items as per the classification rules of IFRS 9. No fair value was stated for current financial instruments recognized at amortized cost in accordance with IFRS 7.29a. The following table presents a progression of the classes to the categories of IFRS 9 and the respective market values:

in EUR '000	Measurement benchmark	Carrying amount		Amortized cost (2017: loans and receivables/ other financial liabilities)	
		Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
NON-CURRENT ASSETS					
Participations		11,733	8,350		
	at cost	9,666	0	0	0
	at fair value	2,067	8,350	0	0
Other non-current financial assets		14,389	13,198		
	at fair value	133	0	0	0
	at amortized cost	10,980	11,411	10,980	11,411
	at cost	3,276	0	0	0
	n/a	0	1,787	0	0
CURRENT ASSETS					
Contract assets	n/a	148,203	145,005	0	0
Trade receivables		317,488	334,978		
	at amortized cost	317,488	330,189	317,488	330,189
	at fair value	0	4,789	0	0
Receivables from enterprises in which the company has participating interests	at amortized cost	4,175	7,846	4,175	7,846
Other current financial assets		12,326	8,371		
	at fair value	3,666	615	0	0
	at amortized cost	8,660	7,756	8,660	7,756
Cash and cash equivalents	at amortized cost	47,266	62,587	47,266	62,587
Total financial assets		**555,580**	**580,335**	**388,569**	**419,789**

Balance sheet valuation under IAS 9				Not assigned to IFRS 9 category						
Fair value through OCI (2017: available for sale) (without recycling)		Fair value through profit or loss (2017: financial assets and liabilities held for trading)		Derivatives in hedge accounting		Recognition in the balance sheet in accordance with IAS 17		Fair Value in accordance with IFRS 7 and IFRS 13		Measure-ment level under IFRS 13
Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	
9,666	0	0	0	0	0	0	0	n/a	n/a	n/a
2,067	8,350	0	0	0	0	0	0	2,067	8,350	3
0	0	0	0	133	0	0	0	133	0	2
0	0	0	0	0	0	0	0	9,808	10,839	3
3,276	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	4,789	0	0	0	0	n/a	4,789	2
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	897	329	2,769	286	0	0	3,666	615	2
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
15,009	**8,350**	**897**	**5,118**	**2,902**	**286**	**0**	**0**	**15,674**	**24,593**	

in EUR '000	Measurement benchmark	Carrying amount		Amortized cost (2017: loans and receivables/ other financial liabilities)	
		Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018
NON-CURRENT LIABILITIES					
Liabilities to banks	at amortized cost	155,621	308,472	155,621	308,472
Liabilities from finance lease agreements	n/a	20,356	20,739	0	0
Other non-current financial liabilities		4,418	9,093		
	at fair value	3,643	7,812	0	0
	at amortized cost	775	1,281	775	1,281
CURRENT DEBT					
Liabilities to banks	at amortized cost	429,589	256,743	429,589	256,743
Liabilities from finance lease agreements	n/a	14,324	10,057	0	0
Contract liabilities	n/a	51,083	52,426	0	0
Trade payables	at amortized cost	233,519	224,502	233,519	224,503
Liabilities to enterprises in which the company has participating interests	at amortized cost	690	860	690	890
Other current liabilities		16,652	19,304		
	at fair value	348	1,408	0	0
	at amortized cost	16,304	17,896	16,304	17,896
Total financial liabilities		**926,252**	**902,196**	**836,498**	**809,754**

Balance sheet valuation under IAS 9				Not assigned to IFRS 9 category						
Fair value through OCI (2017: available for sale) (without recycling)		Fair value through profit or loss (2017: financial assets and liabilities held for trading)		Derivatives in hedge accounting		Recognition in the balance sheet in accordance with IAS 17		Fair Value in accordance with IFRS 7 and IFRS 13		Measure-ment level under IFRS 13
Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	
0	0	0	0	0	0	0	0	286,560	316,491	3
0	0	0	0	0	0	20,356	20,739	n/a	21,498	3
0	0	3,588	7,520	55	292	0	0	3,643	7,812	2
0	0	0	0	0	0	0	0	768	1,306	3
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	14,324	10,057	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	0	285	1,000	64	408	0	0	348	1,408	2
0	0	0	0	0	0	0	0	n/a	n/a	n/a
0	**0**	**3,873**	**8,520**	**119**	**700**	**34,680**	**30,796**	**291,319**	**348,515**	

CONSOLIDATED FINANCIAL STATEMENTS 2018

38. EXECUTIVE BODIES

In the year under review the Supervisory Board comprised the following members:

Shareholder representatives

- Dr. Klaus Reinhardt, General (retd.), Starnberg, Chairman (until October 31, 2018)
- Dr.-Ing. Johannes Bauer, Schrobenhausen
  Civil engineer with BAUER Designware GmbH, Schrobenhausen
- Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer, Schrobenhausen, Chairman (starting November 1, 2018)
  Freelance management consultant
  Supervisory Board, BAUER Egypt S.A.E., Cairo, Egypt, Chairman
  Administrative Board, Maurer SE, Munich, member
  Supervisory Board, DEUSA International GmbH, Bleicherode, Chairman
  Advisory Board, BAUER Deep Drilling GmbH, Schrobenhausen, member
- Prof. Dr.-Ing E.h. Manfred Nußbaumer M.Sc., Munich
  Retired civil engineer
  Supervisory Board, Leonhardt, Andrä und Partner Beratende Ingenieure VBI AG, Stuttgart, Chairman
- Dipl.-Ing. (FH) Elisabeth Teschemacher, née Bauer, Schrobenhausen
  Self-employed in real estate management, building rehabilitation and construction consulting
- Dipl.-Kffr. Andrea Teutenberg, Berlin
  Managing Director, Kelvion Finance GmbH, Bochum (until December 31, 2018),
  Managing Director, Orange 12 GmbH, Berlin
  Administrative Board, KSB Management SE, Frankenthal (Pfalz), member
- Gerardus N. G. Wirken, Breda, Netherlands
  Freelance consultant for strategy, managerial accounting and accounting
  Supervisory Board, Winters Bouw- en Ontwikkeling B.V., Breda/Netherlands, Chairman

Employee representatives

- Robert Feiger, Neusäß, Deputy Chairman
  Chairman of the Federal Executive Committee of the IG Bauen-Agrar-Umwelt industrial trade union, Frankfurt am Main
  Supervisory Board, Zusatzversorgungskasse des Baugewerbes AG, Wiesbaden, member
- Regina Andel, Ellrich
  Vice-Chairwoman of the Works Council, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen
- Rainer Burg, Gerolsbach
  Technical Marketing Manager at BAUER Spezialtiefbau GmbH, Schrobenhausen
- Maria Engfer-Kersten, Langenhagen
  Union secretary of IG BCE Industriegewerkschaft Bergbau, Chemie, Energie, Hanover
- Reinhard Irrenhauser, Schrobenhausen
  Works Council Chairman at BAUER Maschinen GmbH, Schrobenhausen,
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, member
- Dipl. Kfm. (FH) Stefan Reindl, Schrobenhausen
  Human Resources Director of BAUER AG, Schrobenhausen
  Advisory Board, BAUER Training Center GmbH, Schrobenhausen, Chairman

Management Board

- Dipl.-Phys. Michael Stomberg, Strasslach-Dingharting, Chairman (since November 1, 2018)
  Functions: Participations, IT, Group Process Management, HSE, Quality Management
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, Chairman (since November 1, 2018)
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Chairman (since November 1, 2018)
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Chairman (since November 1, 2018)
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Chairman (since November 1, 2018)
- Dipl.-Ing. (FH), Florian Bauer, MBA, Schrobenhausen
  Functions: Digitalization, Development Coordination, Training, Corporate Culture
- Dipl.-Betriebswirt (FH) Hartmut Beutler, Schrobenhausen
  Functions: Finance, Legal and Insurance, Corporate Communications, Facility Management, Media Design
  Supervisory Board, Schrobenhausener Bank e.G., Schrobenhausen, Chairman
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, member
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Deputy Chairman
- Peter Hingott, Schrobenhausen
  Functions: Participations, Accounting, Human Resources, Corporate Purchasing, Labor Director
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, member
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, member
  Administrative Board, BAUER Emirates Environment Technologies & Services LLC, Abu Dhabi, member
  Supervisory Board, BAUER Nimr LLC, Maskat/Oman, Chairman
  Administrative Board, BAUER Resources GmbH / Jordan Ltd. Co., Amman, Jordan, Chairman
  Administrative Board, Site Group for Services and Well Drilling Ltd. Co., Amman/Jordan, Chairman
  Administrative Board, BAUER Resources Chile Limitada, Santiago de Chile/Chile, Chairman

- Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer, Schrobenhausen, Chairman (until October 31, 2018)
  Functions: Participations, IT, Group Process Management, HSE, Quality Management
  Supervisory Board, BAUER Spezialtiefbau GmbH, Schrobenhausen, Chairman (until October 31, 2018)
  Supervisory Board, BAUER Maschinen GmbH, Schrobenhausen, Chairman (until October 31, 2018)
  Supervisory Board, BAUER Resources GmbH, Schrobenhausen, Chairman (until October 31, 2018)
  Supervisory Board, SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Chairman (until October 31, 2018)
  Supervisory Board, BAUER Egypt S.A.E., Cairo, Egypt, Chairman
  Administrative Board, Maurer SE, Munich, member
  Supervisory Board, DEUSA International GmbH, Bleicherode, Chairman
  Advisory Board, BAUER Deep Drilling GmbH, Schrobenhausen, member

The total remuneration paid to members of the Management Board for their activities on the Management Board in the year under review, excluding allocations to pension provisions, was EUR 1,552 thousand (previous year: 1,274 thousand). Of that total, EUR 1,342 thousand (previous year: 1,104 thousand) was not performance-related and EUR 210 thousand (previous year: 170 thousand) was performance-related. The total remuneration includes benefits in kind arising from the private use of a company car and reimbursement of expenses for each member of the Management Board, as well as group accident insurance premiums and employer's liability insurance association contributions.
Old contracts with members of the Management Board include pension commitments and a survivor's pension as part of the company pension scheme. A retirement pension is also offered through a pension plan with a deferred compensation option. The company pension scheme for Management Board members incurred pension service costs totaling EUR 50 thousand (previous year: EUR 137 thousand). The baseline salary defined for calculating retirement benefits is significantly lower in all contracts than the basic salary. Calculated in accordance with IAS 19, the defined benefit obligation entailed by all pension commitments to members of the Management Board serving at the end of the year was EUR 1,247 thousand (previous year: EUR 5,025 thousand). The total remuneration of the former members of the Management Board amounted to EUR 91 thousand for the 2018 financial year (previous year: EUR 64 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 the sum 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. No compensation was paid upon the departure of Prof. Thomas Bauer from the Management Board at the end of October 2018 and upon his candidacy for the Supervisory Board. The departing Management Board member acquired a pension entitlement upon termination of the Management Board contract. For departed Management Board members, pension provisions amounting to EUR 5,958 thousand (previous year: 1,466 thousand) are recognized as a liability on the reporting date.

The remuneration paid to the Supervisory Board for the 2018 financial year totaled EUR 308 thousand (previous year: 254 thousand) and was distributed as follows:

in EUR '000	2017	2018
Chairman		
Dr. Klaus Reinhardt (until Oct. 31, 2018)	37.8	37.6
Prof. Dr.-Ing. E.h. Dipl.-Kfm. Thomas Bauer (from Nov. 1, 2018)	-	7.5
Deputy Chairman		
Robert Feiger	27.0	32.3
Shareholder representatives		
Dr.-Ing. Johannes Bauer	19.8	23.6
Dipl.-Ing. (FH) Elisabeth Teschemacher	18.0	21.5
Gerardus N. G. Wirken	19.8	25.2
Prof. Dr. Manfred Nußbaumer	18.0	21.5
Dipl.-Kffr. Andrea Teutenberg	19.8	25.2
Employee representatives		
Dipl.-Kfm. (FH) Stefan Reindl	18.0	21.5
Regina Andel	18.0	21.5
Reinhard Irrenhauser	19.8	23.6
Rainer Burg	18.0	21.5
Maria Engfer-Kersten	19.8	25.2
Total	**253.8**	**307.7**

39. RELATED PARTY DISCLOSURES

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.
Transactions with related parties are defined as the transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether an invoice is issued in respect of the transaction or not.
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. Related persons received pensions totaling EUR 143 thousand (previous year: 116 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 totaling EUR 536 thousand (previous year: 479 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 558 thousand (previous year: 690 thousand) was paid. Loan commitments to the BAUER Foundation existed totaling EUR 1,150 thousand (previous year: EUR 1,000 thousand), for which interest amounting to EUR 61 thousand (previous year: EUR 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		Joint ventures	
	2017	2018	2017	2018	2017	2018
Income	4,416	3,456	5,277	14,940	12,854	3,976
Purchased services	2,791	3,106	4,132	9,125	31,508	1,807
Receivables and other assets (Dec. 31)	84	1,547	6,953	10,100	31,588	36,701
Liabilities (Dec. 31)	322	54	1,082	2,513	4,181	3,687
Valuation allowance of receivables	0	0	202	14	15,030	16,851
Expenditure for uncollectable and uncertain receivables	0	0	58	393	0	1,821

The purchased services essentially comprise all expenses incurred with related parties during 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.

40. JOINT OPERATIONS

The material joint ventures are listed below:

Financial year 2017:

Project	Company's activities	Registered office	Investment quota
Deep-Bauer Foundation Inc.	Specialist foundation engineering	Calgary, Canada	44%
Piling Contractors Bauer Australia - Crown Resort Hotel	Specialist foundation engineering	Sydney, Australia	50%
Wagstaff Piling Bauer Australia - Melb Metro Early Works	Specialist foundation engineering	Melbourne Victoria	50%

Financial year 2018:

Project	Company's activities	Registered office	Investment quota
Piling Contractors Bauer Australia - Crown Resort Hotel	Specialist foundation engineering	Sydney, Australia	50%
Wagstaff Piling Bauer Australia - Westgate Tunnel	Specialist foundation engineering	Melbourne, Australia	50%

41. 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 GmbH:

in EUR '000	2017	2018
Fees for auditing services	734	798
Fees for other certification	15	0
Fees for tax advice	36	17
Fees for other services	7	42
Total	**792**	**857**

In the fees for other services, both near-audit consulting services and services as part of disclosure obligations are included. 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	2017	2018
Fees for auditing services	40	40
Fees for other certification	1	0
Fees for tax advice	6	0
Fees for other services	0	2
Total	**47**	**42**

42. DECLARATION OF CONFORMITY TO THE GERMAN CORPORATE GOVERNANCE CODE

The Management Board and Supervisory Board of BAUER AG issued the Declaration of conformity prescribed by Paragraph 161 AktG on December 6, 2018 and made it permanently available for shareholders at www.bauer.de.

43. 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 11, 2019).

44. AVERAGE NUMBER OF EMPLOYEES

	2017	2018
Salaried staff	**4,234**	**3,560**
Germany	1,946	2,004
International	2,288	1,556
Industrial & trades	**6,436**	**7,837**
Germany	1,803	1,796
International	4,633	6,041
Apprentices	**243**	**246**
Total number of employees	**10,913**	**11,643**

45. PROPOSAL ON APPROPRIATION OF UNAPPROPRIATED NET PROFIT

The Management Board and Supervisory Board of BAUER AG propose to resolve to distribute a dividend of EUR 0.10 per dividend-bearing share to the shareholders from distributable net profit in financial year 2018 in the amount of EUR 1,713,100.00. At 17,131,000 dividend-bearing no-nominal-value shares, this corresponds to a dividend of EUR 1,713,100.00. Any partial amount relating to non-dividend-bearing no-nominal-value shares will also be carried forward to new account.

Schrobenhausen, March 29, 2019

The Management Board

Dipl.-Phys. Michael Stomberg
Chairman of the Management Board

Dipl.-Ing. (FH)
Florian Bauer, MBA

Dipl.-Betriebswirt (FH)
Hartmut Beutler

Peter Hingott

List of shareholdings of the BAUER Group pursuant to Section 313 of the German Commercial Code (HGB) as of December 31, 2018

	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	100.00
	BAUER Maschinen GmbH, Schrobenhausen, Germany	EUR	100.00
	SCHACHTBAU NORDHAUSEN GmbH, Nordhausen, Germany	EUR	100.00
	SPESA Spezialbau und Sanierung GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Resources GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Training Center GmbH, Schrobenhausen, Germany	EUR	100.00
	BAUER Designware GmbH, Schrobenhausen, Germany	EUR	100.00
	KLEMM Bohrtechnik GmbH, Drolshagen, Germany	EUR	100.00
	EURODRILL GmbH, Drolshagen, Germany	EUR	100.00
	WW Beteiligung GmbH, Schrobenhausen, Germany	EUR	100.00
	RTG Rammtechnik GmbH, Schrobenhausen, Germany	EUR	100.00
	PRAKLA Bohrtechnik GmbH, Peine, Germany	EUR	100.00
	Olbersdorfer Guß GmbH, Olbersdorf, Germany	EUR	75.00
	SCHACHTBAU NORDHAUSEN Bau GmbH, Nordhausen, Germany	EUR	100.00
	SCHACHTBAU NORDHAUSEN Stahlbau GmbH, Nordhausen, Germany	EUR	100.00
	MMG Mitteldeutsche MONTAN GmbH, Nordhausen, 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
	Esau & Hueber GmbH, Schrobenhausen, Germany	EUR	100.00
B.	**EU (excluding Germany)**		
	GWE Budafilter Kft., Mezöfalva, Hungary	HUF	100.00
	BAUER Ambiente S.r.l., Milan, Italy	EUR	100.00
	BAUER SPEZIALTIEFBAU Gesellschaft m.b.H., Vienna, Austria	EUR	100.00
	BAUER Technologies Limited, Bishops Stortford, Great Britain	GBP	100.00
	BAUER RENEWABLES LIMITED, Bishops 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 BULGARIA EOOD, Sofia, Bulgaria	BGN	100.00
	BAUER Funderingstechniek B.V., Mijdrecht, Netherlands	EUR	100.00
	BAUER Maszyny Polska Sp.z.o.o., Warsaw, Poland	PLN	100.00
	BAUER Foundations (IRL) Ltd., Bishops Stortford, Great Britain	EUR	100.00
	GWE France S.A.S., Aspiran, France	EUR	100.00
	TracMec Srl, Mordano, Italy	EUR	100.00
	BAUER Macchine Italia Srl, Mordano, Italy	EUR	100.00
	GWE Pol-Bud Sp.z.o.o, Lodz, Poland	PLN	100.00
	BAUER Resources UK Ltd., Beverley, Great Britain	GBP	100.00

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
C. Europe (other)		
BAUER Spezialtiefbau Schweiz AG, Baden-Dättwil, Switzerland	CHF	100.00
FORALITH Drilling Support AG, St. Gallen, Switzerland	CHF	100.00
OOO BAUER Maschinen - Kurgan, Kurgan, Russian Federation	RUB	65.00
OOO BG-TOOLS-MSI, Lyubertsy, Russian Federation	RUB	55.00
OOO BAUER Maschinen Russland, Moscow, Russian Federation	RUB	100.00
OOO BAUER Technologie, Moscow, Russian Federation	RUB	100.00
BAUER Georgia Foundation Specialists LCC, Tbilisi, Georgia	GEL	100.00
D. Middle East & 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 *
BAUER Resources GmbH / Jordan Ltd. Co. - (subsidiary consolidated financial statements), Amman, Jordan	USD	100.00
Site Group for Services and Well Drilling Ltd. Co., Amman, Jordan	USD	83.33
Site Drilling Ltd. Co., Limassol, Cyprus	USD	100.00
Technical Dimension Co. for Maintenance Services Ltd., Amman, Jordan	USD	60.00
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	100.00
BAUER Specialized Foundation Contractor India Pvt. Ltd., New Delhi, India	INR	100.00
BAUER Equipment India Private Limited, Navi Mumbai, India	INR	100.00
BAUER Resources Saudi LLC, Riyadh, Saudi Arabia	SAR	100.00
BAUER Engineering International Ltd., Dubai, United Arab Emirates	AED	100.00
BAUER Bangladesh Limited, Dhaka, Bangladesh	BDT	100.00
E. Asia-Pacific, Far East and Australia		
BAUER (MALAYSIA) SDN. BHD. - (subsidiary consolidated financial statements), Petaling Jaya, Malaysia	MYR	100.00
BAUER Foundations Australia Pty Ltd, Brisbane, 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	40.00 *
First Asian Limited, Hong Kong, People's Republic of China	HKD	100.00
BAUER Technologies Far East Pte. Ltd. - (subsidiary consolidated financial statements), Singapore	EUR	100.00
BAUER EQUIPMENT SOUTH ASIA PTE. LTD., Singapore	EUR	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	EUR	100.00
BAUER Equipment (Malaysia) Sdn. Bhd., Shah Alam, Malaysia	MYR	100.00
Shanghai BAUER Technologies Co. Ltd., Shanghai, People's Republic of China	CNY	100.00

* Commercial ownership is 100%

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
Continuation: E. Asia-Pacific, Far East & Australia		
BAUER Equipment (Shanghai) Co. Ltd., Shanghai, People's Republic of China	CNY	100.00
BAUER Technologies Thailand Co., Ltd., Bangkok, Thailand	THB	100.00
P.T. BAUER Equipment Indonesia, Jakarta, Indonesia	IDR	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
BAUER Equipment Australia Pty. Ltd., Baulkham Hills, Australia	AUD	100.00
F. Americas		
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 FUNDACIONES DOMINICANA, S. R. L., Santo Domingo, Dominican Republic	DOP	100.00
BAUER Foundations Canada Inc., Calgary, Canada	CAD	100.00
BAUER FOUNDATION CORP., Odessa, United States of America	USD	100.00
BAUER Resources Chile Limitada - (subsidiary consolidated financial statements), Santiago de Chile, Chile	CLP	100.00
GWE Tubomin S.A., Santiago de Chile, Chile	CLP	60.00
BAUER Machinery USA Inc., Conroe, United States of America	USD	100.00
BAUER Equipment America Inc., Woodlands, United States of America	USD	100.00
G. Africa		
BAUER EGYPT S.A.E. Specialised Foundation Contractors, Cairo, Egypt	EGP	55.75
BAUER Technologies South Africa (PTY) Ltd - (subsidiary consolidated financial statements), Midrand, South Africa	ZAR	100.00
MINERAL BULK SAMPLING NAMIBIA (PTY) LTD, Windhoek, Namibia	NAD	100.00
MINERAL BULK SAMPLING SOUTH AFRICA (PTY) LTD, Midrand, South Africa	ZAR	100.00
BAUER Engineering Ghana Ltd., Accra, Ghana	GHS	100.00
BAUER Resources Maroc S.A.R.L., Kenitra, Morocco	MAD	100.00
BAUER Resources Senegal SARL, Dakar, Senegal	XOF	100.00
2. Companies in the expanded basis of consolidation		
A. Germany		
Harz Hotel Grimmelallee Nordhausen Beteiligungsgesellschaft mbH, Nordhausen, Germany	EUR	100.00
Schacht- und Bergbau Spezialgesellschaft mbH, Mülheim an der Ruhr, Germany	EUR	50.00
pumpenboese Beteiligungs- und Verwaltungs GmbH, Peine, Germany	EUR	100.00
fielddata.io GmbH, Munich, Germany	EUR	99.00
B. International		
BAUER Ukraine TOV, Kiev, Ukraine	UAH	100.00
BAUER Angola Lda., Luanda, Angola	AOA	100.00
BAUER Fondations Spéciales EURL, Algiers, Algeria	DZD	100.00
BAUER Cimentaciones Costa Rica S. A., Alajuela, Costa Rica	CRC	100.00
BAUER Lybian Egyptian Specialized Corporate for Technical Engineering Works, Tripoli, Libya	LYD	36.00
TOO BAUER KASACHSTAN, Almaty, Kazakhstan	KZT	100.00
BAUER Fundaciones Colombia S. A. S., Bogota, Colombia	COP	100.00
BAUER Fundaciones America Latina, S. A., Panama City, Panama	USD	100.00

* Commercial ownership is 100%

NAME AND REGISTERED OFFICE OF COMPANY	Currency	Capital share in %
Continued: B. International		
BAUER Iraq for Construction Contracting LLC, Baghdad, Iraq	IQD	100.00
BAUER Maschinen Ukraine TOV, Kiev, Ukraine	UAH	100.00
BRASBAUER Equipamentos de Perfuracào Ltda., Sao Paulo, Brazil	BRL	60.00
BAUER Equipamentos do Brasil – Comércio e Importacao Ltda., Sao Paulo, Brazil	BRL	100.00
BAUER Equipamientos de Panama S. A., Panama City, Panama	PAB	100.00
BAUER Maschinen Canada Ltd., Acheson, Canada	CAD	100.00
BAUER Geoteknoloji Insaat Anonim Sirketi, Istanbul, Turkey	EUR	100.00
BAUER Parts HUB (Singapore) Pte. Ltd., Singapore	EUR	100.00
BAUER - De Wet Equipment (Proprietary) Limited, Rasesa, Botswana	BWP	51.00
BAUER Machines SAS, Strasbourg, France	EUR	100.00
BAUER Maschinen Pars LLC, Teheran, Iran	IRR	100.00
EURODRILL ASIA PTE. LTD., Singapore	EUR	100.00
OOO TRAKMECHANIKA, Yaroslavl, Russian Federation	RUB	100.00
GERMAN WATER & ENERGY PAKISTAN (PRIVATE) LIMITED, Islamabad, Pakistan	PKR	100.00
3. Associated companies and joint ventures		
A. Germany		
TMG Tiefbaumaterial GmbH, Emmering, Germany	EUR	50.00
Grunau und Schröder Maschinentechnik GmbH, Drolshagen, Germany	EUR	30.00
SPANTEC Spann- & Ankertechnik GmbH, Schrobenhausen, Germany	EUR	40.00
BAUER Deep Drilling GmbH, Schrobenhausen, Germany	EUR	51.00
B. International		
TERRABAUER S. L., Madrid, Spain	EUR	30.00
Bauer + Moosleitner Entsorgungstechnik GmbH, Salzburg, Austria	EUR	50.00
BAUER Nimr LLC, Maskat - Al Mina, Sultanate of Oman	OMR	52.50
BAUER Manufacturing LLC, Conroe, United States of America	USD	51.00
TOO SCHACHTBAU Kasachstan, Almaty, Kazakhstan	KZT	50.00
AO Mostostrojindustria, Moscow, Russian Federation	RUB	20.70
4. Enterprises in which the company has participating interests		
A. Germany		
Wöhr + Bauer GmbH, Munich, Germany	EUR	16.65
Nordhäuser Bauprüfinstitut GmbH, Nordhausen, Germany	EUR	20.00
Deusa International GmbH, Bleicherode, Germany	EUR	10.00
Stadtmarketing Schrobenhausen e.G., Schrobenhausen, Germany	EUR	4.18
Digitales Gründerzentrum der Region Ingolstadt GmbH, Ingolstadt, Germany	EUR	2.00

The complete list of shareholdings in accordance with section 313 of the German Commercial Code (HGB) is published in the electronic version of the official Gazette Bundesanzeiger of the Federal Republic of Germany.


BAUER
BG 40

Audit opinion

”INDEPENDENT AUDITOR‘S REPORT

To BAUER Aktiengesellschaft, Schrobenhausen

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of BAUER Aktiengesellschaft, Schrobenhausen, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of BAUER Aktiengesellschaft, which is combined with the Company‘s management report, for the financial year from January 1 to December 31, 2018. We have not audited the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report in accordance with the German legal requirements.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group’s position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the group management report does not cover the content of those parts of the group management report listed in the “Other Information” section of our auditor’s report.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)

<<< For the construction of the watertight retaining structure of the UpperNord Tower in Duesseldorf, about 6,000 m² retaining wall is being installed up to a depth of 23.5 m using the MIP method. An RTG RG 25 S is deployed for this project.

point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the group management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matters of most significance in our audit were as follows:

❶ At-equity valuation of shares in associated companies and joint ventures and their recoverability
❷ Revenue recognition from customized contracts
❸ Accounting for hedging instruments
❹ Accounting for deferred taxes

Our presentation of these key audit matters has been structured in each case as follows:

① Matter and issue
② Audit approach and findings
③ Reference to further information

Hereinafter we present the key audit matters:

❶ **At-equity valuation of shares in associated companies and joint ventures and their recoverability**

① In the consolidated financial statements of the Company, an amount of € 113,0 million is stated under the balance sheet heading of “Shares valued at equity”. Having applied the equity method, BAUER Aktiengesellschaft is obliged pursuant to IAS 28 to check whether it is necessary to make value adjustments to their stake in the net assets of the associated companies and joint ventures. In doing so, the entire carrying amount of the investment - as an asset - is examined for impairment in accordance with IAS 36, i.e. the goodwill contained therein is not examined separately. As at balance sheet date, BAUER Aktiengesellschaft examined the recoverability of its shares in associated companies and joint ventures that are valued using the equity method. In order to calculate the values of material equity investments, BAUER Aktiengesellschaft carried out its own business valuations, whereby the present values of the expected future cash flows derived from the budgetary accounting of the Company’s executive directors were calculated using discounted cash flow models. In doing so, the Company also took account of expectations as to future market trends and assumptions about the development of macro-economic influencing factors. The discounting was performed using costs of capital calculated individually for each of the shares concerned. Based on the Company’s present calculations and other documentation, it was found that the value of the investments needed to be written down for impairment by a total € 5.0 million for the 2018 financial year.

The result of this valuation is greatly dependent on how the Company’s executive directors assess the future cash flows and on the discounting and growth rates applied in each case. The valuations are therefore subject to major uncertainties. Against this background and because of the highly complex nature of the valuation and its material significance for the Company’s net assets and results of operations, this matter was of key significance in our audit.

② As part of our audit, we initially acquired an understanding of the processes used in the equity adjustment method. In a sample test of associated companies and joint ventures, we verified the equity adjustment for (among other things) the correctness of the mathematical calculation and to establish whether the financial data used was reconcilable with the annual and consolidated financial statements of the associated companies and joint ventures. By inspecting the companies' articles of incorporation, we satisfied ourselves of the fact that BAUER Aktiengesellschaft has a significant influence in its role as shareholder at the associated companies and that the conditions are fulfilled for classification as joint ventures.

Furthermore, as part of our audit, we verified, among other things, the methodical procedures used to evaluate the shares in associated companies and joint ventures. In particular, we assessed whether the values of the material shares in associated companies and joint ventures were calculated properly using discounted cash flow models, taking the relevant valuation standards into account. In doing so, we relied among other things on a comparison with general and sector-specific market expectations and on extensive clarifications from the Company's executive directors as to the key value drivers, upon which the anticipated cash flows are based. Knowing that even relatively small changes in the discounting rate used can already have a major impact on the value of the companies thus calculated, we also assessed the parameters used in determining the discounting rates applied in the calculation and verified the calculation method.

Taking into account the information available to us, the valuation parameters and underlying valuation assumptions used by the executive directors are, in our opinion, generally suitable for an appropriate evaluation of the shares in associated companies and joint ventures.

③ The information provided by the Company on the shares in associated companies and joint ventures is contained in Sections 5.2 "Accounting and valuation methods" and 20.3 "Shares valued at equity" of the Notes to the Consolidated Financial Statements.

❷ Revenue recognition from customized contracts

① The BAUER Group is involved in partly large-scale and complex construction projects in which revenues are realized over a period of time. In the case of revenues that are realized over a period of time, the sales revenues are recognized on the basis of the percentage of completion. This is defined as the ratio of the contract costs actually incurred to the total contract costs expected. In the consolidated financial statements as of December 31, 2018, the income statement recognizes sales revenues of € 893.0 million realized from customized contracts. As of December 31, 2018, there are receivables from contracts amounting to € 145.0 million and liabilities from contracts amounting to € 52.4 million recorded in the balance sheet. Revenue from customized contracts is recognized over a period of time if an asset is created that has no other possible use for the Bauer Group and if the Company has a legal entitlement to payment for the services already rendered. Sales revenues are also realized over a period of time if control of the asset passes over to the customer while the asset is being created or improved. Due to the complex production processes involved, time-based revenue recognition notably requires an effective internal budget/reporting system including continuous accompanying project costing and a well-functioning internal control system.

The amount of the revenues and profits that are recognized for projects in one year depends among other things on the costs actually incurred, the assessment of the percentage of completion of contracts and the projected revenues from the order and the costs for each project. Furthermore, the amount of the revenues and profits is influenced by the Company's assessment of supplementary orders for additional work and claims for damages.

Because of the complexity of the projects and the uncertainty as to the costs of completion and as to the outcome of discussions with customers about changed orders and requirements, this is often subject to a large measure of discretion. Against this background, the correct application of the accounting standards must be seen as complex and is based in part on estimates and assumptions made by the Company's executive directors. For this reason, this was a matter of key significance for our audit.

② As part of our audit, among other things we assessed the appropriateness of the internal control system set up at the BAUER Group and the effectiveness of relevant controls, and we examined the determination of the percentage of completion of building projects based on supporting documentation and checked it for compliance with BAUER's accounting policies. In doing so, we also appraised the appropriateness of the accounting guidelines in place at BAUER and their interpretation of the relevant accounting standards. In particular, we also assessed the way in which the Company has specified and precisely clarified the accounting guidelines in terms of the conditions that must be fulfilled in order to recognize a receivable and supplementary orders for additional work as a part of the revenues from an order.

Our specific audit approach included the examination of controls and substantial audit procedures. In this context, above all we assessed the cost accounting system and other relevant systems that assist in the process of accounting for production orders. Furthermore, on a sample basis, we assessed the appropriate nature of the recording and netting of the direct costs, the amount and netting of overhead rates, the project cost calculations underlying the construction projects and the determination of the percentage of completion of individual projects. In this connection, we also appraised the statements submitted to us from external parties such as lawyers or experts with regard to the accounting treatment of supplementary orders for additional work and claims for damages and reconciled the executive directors' estimates with regard to the enforcement of supplementary orders for additional work and claims for damages with historical values based on experience.

Moreover, with regard to the contracts we compared the items recorded in the consolidated financial statements with the prior year in order to assess the consistency of the evaluation and perform back-testing on the estimate. In this context, we also assessed the design of the processes implemented for depicting transactions in compliance with IFRS 15 and the implementation of the new specifications.

We were able to satisfy ourselves that the systems and processes set up and the controls in place are generally appropriate and that the estimates made and assumptions reached by the executive directors are sufficiently documented and justified in order to ensure the appropriate recognition of revenues from customized contracts.

③ The information provided by the Company on the recognition of revenues from customized contracts is contained in Sections 5.2. "Accounting and valuation methods" and 25. "Receivables and other assets" of the Notes to the Consolidated Financial Statements.

❸ Hedge accounting

① The companies of the BAUER Group conclude a large number of different derivative financial instruments in order to hedge against currency and interest rate risks arising from ordinary business operations. The currency risk mainly arises from intra-group loans granted and assets assumed from companies in the BAUER Group that are denominated in a foreign currency. The interest rate hedges aim to rule out the risk of fluctuating interest rates on the market. The Company limits these risks by concluding forward exchange transactions, foreign currency options, interest swaps and interest caps, among other things. The required hedging measures are largely carried out and coordinated by the Group Finance department of the BAUER Group.

Derivative financial instruments are recognized at their fair value on balance sheet date The positive fair values of the total derivative financial instruments used for hedging purposes amount to € 0.6 million at balance sheet date, and the negative fair values amount to € 9.2 million in total. Provided that the derivative financial instruments used by the BAUER Group are effective hedging transactions for future cash flows applying the hedge accounting provisions of IFRS 9, changes in their fair value are recognized as unrealized gains and losses under "Other Comprehensive Income" (OCI) -

without affecting the income statement - over the duration of the hedge until the due date of the hedged cash flow (the effective part). Here, the spot-rate-based changes in the value of derivative hedging transactions are shown under the hedging reserve. The Bauer Group changed over from accounting for hedges according to IAS 39 to an adoption of IFRS 9 at the beginning of the year. In doing so, it prospectively implemented the option given by IFRS 9 of recognizing forward-rate-based changes in the value of hedging transactions and changes in value arising from the so-called cross-currency-basis spread under the heading of “reserve for hedging costs” for designated hedges from January 1, 2018 onwards.

At balance sheet date, the balance of the accumulated effective fair-value changes (stated in equity under “hedging reserve”, with no effect on income) amounted to € -0.2 million after income tax. In the same period or periods, the amounts recognized in equity are re-classified from “Other Comprehensive Income” to the income statement, in which the hedged expected cash flows have an impact on profit and loss.

In our opinion, these matters were of key significance for our audit because of their high complexity and the large number of transactions and because of the extensive accounting and disclosure requirements of IFRS 9 and IFRS 7.

② As part of our audit, among other things we appraised the technical changes connected with the adoption of IFRS 9, with the help of our internal specialists in the field of Corporate Treasury Solutions. Furthermore, we appraised the contractual and financial fundamentals and verified the relevant accounting, including the impact of the various hedging transactions on equity and earnings. In doing so, we addressed in particular the pre-requisites for applying hedge accounting. Furthermore, in auditing the valuation of the financial instruments at fair value, we also verified the calculation methods based on market data. Moreover, we requested bank confirmations in order to assess the completeness aspect and to audit the fair values of the transactions recorded. With regard to the expected cash flows and the assessment of the effectiveness of hedging transactions, we largely retrospectively appraised the degree of hedging in the past. In doing so, we were able to satisfy ourselves that the estimates made and assumptions reached by the Company’s executive directors are justified and sufficiently documented.

③ The information provided by the Company on accounting for hedging instruments is contained in Sections 5.2. “Accounting and valuation methods” and 37. “Financial instruments” of the Notes to the Consolidated Financial Statements.

❹ Accounting for deferred taxes

① In the Company’s consolidated financial statements, deferred tax assets amounting to € 49.2 million are recognized as of December 31, 2018. Netting these with congruent deferred tax liabilities results in a surplus of deferred tax assets amounting to approx. € 25,8 million. The amount recognized in the accounts corresponds to the extent to which the Company’s executive directors deem it likely that taxable earnings will be generated in the foreseeable future through which the deductible temporary differences and the tax loss carry-forwards can be used. For this purpose, unless there are sufficient relevant deferred tax liabilities available, prognoses are made as to the future earnings which are derived from the approved forecast calculation. Overall, the amount of tax losses not yet used upon which no deferred tax assets were stated was € 212.3 million in total, based on the fact that it is unlikely that this can be utilized for tax purposes through netting with future earnings.

In our opinion, the accounting for deferred taxes was a matter of key significance for our audit because it is highly dependent upon estimates and assumptions made by the Company’s executive directors and is therefore subject to uncertainty.

② As part of our audit, among other things we assessed the internal processes and controls for recording tax issues and the methodical procedures for calculating, accounting for and evaluating deferred taxes. Furthermore, we assessed the recoverability of the deferred tax assets for deductible temporary differences and tax losses not yet used based on the Company's internal prognoses regarding its future earnings situation and appraised the appropriateness of the underlying estimates and assumptions.

Based on our audit procedures, we were able to satisfy ourselves that overall the estimates made and assumptions reached by the Company's executive directors are justified and sufficiently documented.

③ The information provided by the Company on deferred taxes is contained in Sections 5.2. "Accounting and valuation methods" and 21. "Deferred taxes" of the Notes to the Consolidated Financial Statements.

Other Information

The executive directors are responsible for the other information. The other information comprises the following non-audited parts of the group management report:

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB included in the section headed „Corporate governance and management system" of the group management report
- the non-financial statement pursuant to § 289b (1) HGB and § 315b (1) HGB included in the section headed „Non-financial group statement" of the group management report

The other information comprises further the remaining parts of the annual report – excluding cross-references to external information – with the exception of the audited consolidated financial statements, the audited group management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph]1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. [paragraph] 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on June 28, 2018. We were engaged by the supervisory board on June 28, 2018. We have been the group auditor of BAUER Aktiengesellschaft, Schrobenhausen, without interruption since the financial year 1999.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

PUBLIC AUDITOR RESPONSIBLE

The German Public Auditor responsible for the engagement is Jürgen Schwehr."

Stuttgart, March 29, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft (auditing firm)

Jürgen Schwehr	ppa. Bernd Adamaszek
Auditor	Auditor


BAUER BG 72
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BAUER (MALAYSIA) SDN BHD
LOT L,L1,M PROJECT

Assurance by 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 Group in accordance with the accounting principles applicable to financial reporting, and that the Combined 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 29, 2019

The Management Board

Dipl.-Phys. Michael Stomberg Chairman of the Management Board	Dipl.-Ing. (FH) Florian Bauer, MBA	Dipl.-Betriebswirt (FH) Hartmut Beutler	Peter Hingott

<<< *Execution of bored pile works for the all-time-high project KLCC in Kuala Lumpur: Deploying a BG 72 – the so far biggest Bauer rotary drilling rig – and a 5-fold Kelly bar, piles are constructed up to a depth of 150 m.*

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Contact
Investor Relations
BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
Tel.: +49 8252 97-1218
investor.relations@bauer.de

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BAUER

PASSION for PROGRESS

ANNUAL REPORT

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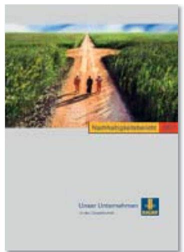

Sustainability Report
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Consolidated statement of profit or loss

in EUR '000	12M/2017	12M/2018	Change
Sales revenues	1,667,861	1,589,091	-4.7%
Changes in inventories	-10,825	1,552	n/a
Other capitalized goods and services for own account	8,519	8,825	3.6%
Other income	22,582	17,468	-22.6%
Consolidated revenues	**1,688,137**	**1,616,936**	**-4.2%**
Cost of materials	-919,596	-821,496	-10.7%
Personnel expenses	-383,530	-392,384	2.3%
Other operating expenses	-202,458	-204,440	1.0%
Earnings before interest, tax, depreciation and amortization (EBITDA)	**182,553**	**198,616**	**8.8%**
Depreciation of fixed assets	-78,342	-80,967	3.4%
Write-downs of inventories due to use	-14,644	-17,590	20.1%
Earnings before interest and tax (EBIT)	**89,567**	**100,059**	**11.7%**
Financial income	37,649	38,204	1.5%
Financial expenses	-90,784	-76,992	-15.2%
Share of the profit or loss of associated companies accounted for using the equity method	-1,124	4,594	n/a
Earnings before tax (EBT)	**35,308**	**65,865**	**86.5%**
Income tax expense	-31,643	-41,778	32.0%
Earnings after tax	**3,665**	**24,087**	**n/a**

Consolidated balance sheet

Assets in EUR '000	12M/2017	12M/2018	Change
Intangible assets	21,021	18,077	-14.0%
Property, plant and equipment	407,429	411,571	1.0%
Investments accounted for using the equity method	121,315	113,019	-6.8%
Participations	11,733	8,350	-28.8%
Deferred tax assets	45,607	49,189	7.9%
Other non-current assets	7,653	7,637	-0.2%
Other non-current financial assets	14,389	13,198	8.3%
Non-current assets	**629,147**	**621,041**	**-1.3%**
Inventories	430,606	426,353	-1.0%
Advances received on inventories	-13,883	-16,098	-16.0%
	416,723	410,255	-1.6%
Receivables and other assets	520,591	535,111	2.8%
Effective income tax refund claims	3,976	3,290	-17.3%
Cash and cash equivalents	47,266	62,587	32.4%
Current assets	**988,556**	**1,011,243**	**2.3%**
	1,617,703	**1,632,284**	**0.9%**

Equity and liabilities in EUR '000	12M/2017	12M/2018	Change
Equity of BAUER AG shareholders	**415,483**	**428,312**	**3.1%**
Non-controlling interests	3,249	3,504	7.8%
Equity	**418,732**	**431,816**	**3.1%**
Provisions for pensions	126,332	134,389	6.4%
Financial liabilities	180,395	338,304	87.5%
Other non-current liabilities	6,883	5,335	-22.5%
Deferred tax liabilities	20,789	23,396	12.5%
Non-current debt	**334,399**	**501,424**	**49.9%**
Financial liabilities	460,565	286,104	37.9%
Other current liabilities	364,998	357,851	-2.0%
Effective income tax obligations	16,202	31,687	95.6%
Provisions	22,807	23,402	2.6%
Current debt	**864,572**	**699,044**	**19.1%**
	1,617,703	**1,632,284**	**0.9%**

In the "Change" column, there may be differences from the Group key figures as a result of roundings and a different representation between thousands of EUR and millions of EUR.

Financial calendar 2019

April 15, 2019	Publication Annual Report 2018 Annual Press Conference Analysts‘ Conference
May 14, 2019	Quarterly Statement Q1 2019
June 27, 2019	Annual General Meeting
August 14, 2019	Half-Year Interim Report to June 30, 2019
November 14, 2019	Quarterly Statement 9M/Q3 2019

BAUER Aktiengesellschaft
BAUER-Strasse 1
86529 Schrobenhausen, Germany
www.bauer.de